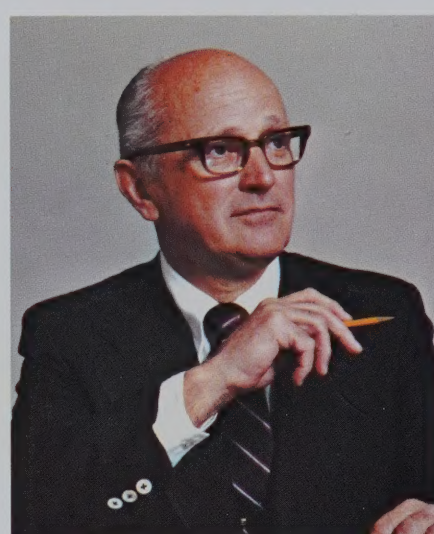
General Mills

ANNUAL REPORT

MAY 29, 1972 / MAY 27, 1973

Management for Now and Tomorrow

James A. Summer, *Vice Chairman, Chief Development and Financial Officer;* ***E. Robert Kinney,*** *President and Chief Operating Officer;* ***James P. McFarland,*** *Chairman and Chief Executive Officer (left to right).*



Left photograph: ***Eugene E. Woolley,*** *Executive Vice President, Restaurant Operations, General Mills Chemicals, Inc., O-CEL-O Operations, Corporate Real Estate, Corporate Transportation (left);* ***Donald F. Swanson,*** *Executive Vice President, Craft, Game & Toy Division, Direct Marketing Division, Fashion Division, International Operations, Travel Ventures. Above:* ***J. Wilbur Feighner,*** *Executive Vice President, Domestic Operations of Tom's Foods Ltd., GoodMark Division, The Donruss Co.*

At left: ***H. Brewster Atwater, Jr.,*** *Executive Vice President, Consumer Foods Activities.*

General Mills

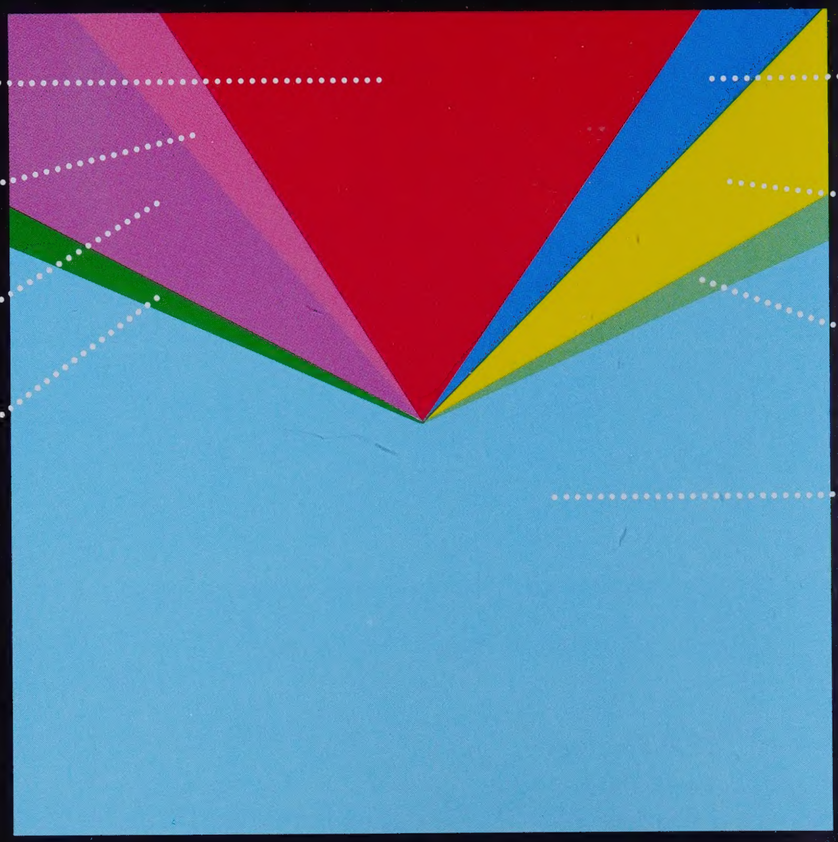
now & tomorrow

NOW and TOMORROW General Mills keeps pace with a changing world to succeed through service.

Contents

NOTICE TO STOCKHOLDERS: The annual meeting of the stockholders of General Mills, Inc., will be held at 2:00 p.m., Central Daylight Time, September 18, 1973, at Golden Valley (Minneapolis), Minn. The *Notice of Annual Meeting of Stockholders and Proxy Statement* is being mailed to reach stockholders on or about August 27, 1973.

How the Sales Dollar Was Divided



The Year in Brief

	Fiscal Year Ended		
	May 27, 1973	May 28, 1972	Per Cent Change
Sales	$1,593,167,000	$1,343,155,000	+18.6%
Earnings before extraordinary items	65,560,000	54,671,000	+19.9%
Extraordinary items	—	(6,760,000)	
Net earnings	65,560,000	47,911,000	
Earnings before extraordinary items per dollar of sales	4.1¢	4.1¢	
Earnings per common share and common share equivalent:			
Earnings before extraordinary items	$ 2.80	$ 2.37	+18.1%
Net earnings	2.80	2.07	
Dividends—common stock	20,908,000	19,090,000	+9.5%
—preference stock	2,066,000	2,295,000	
Net earnings after dividends	42,586,000	26,526,000	
Wages, salaries and employee benefits	296,802,000	260,801,000	+13.8%
Taxes—Income, payroll, property, etc.	96,831,000	79,119,000*	+22.4%
—per cent of earnings before all taxes	59.6%	58.9%	

Restated for pooling of interests.
*Excluding income tax credits of $4,799,000 related to extraordinary items.

To Our Stockholders and Employees:

August 17, 1973

Fiscal 1973 was another significant milestone of progress for General Mills. Sales rose 18.6 per cent to $1,593,167,000. After-tax earnings advanced 19.9 per cent to $65,560,000. Earnings per common share and common share equivalent reached $2.80, a gain of 18.1 per cent. All results are restated to account for the acquisition of Kimberly Knitwear, Inc.; earnings comparisons are before extraordinary charges in fiscal 1972 as indicated on the opposite page.

We believe our fiscal 1973 results, which follow comparable progress in the previous year, indicate the strength provided by our diversity, strong demand for both new and established products and an expanding economy. We also benefited from lower operating expenses and release of approximately $10,000,000 in capital as a result of the consolidation of food production operations, termination of unsuccessful ventures and disposal of miscellaneous assets, which resulted in the extraordinary charge against fiscal 1972 results.

These results were achieved despite a slightly higher effective tax rate resulting from losses, primarily in foreign subsidiaries, including the write-off of the fishmeal operation in Peru, and pressures caused by uncontrolled costs of unprocessed raw materials. Occasionally, these costs could not be passed along on a timely basis because of delays in approval of price advance requests under the Economic Stabilization Act, with which General Mills complied fully. The weighted average effect of increases in General Mills' prices for products and services sold domestically was about three per cent.

Operating highlights, as detailed in this report, include: 1.) strong sales gains in all major product lines, ranging from 12.7 to 64.0 per cent; 2.) a 10.1 per cent earnings gain in the important foods at home group despite margin pressure from delays in passing on increased grain, meat and seafood costs; 3.) a 51.2 per cent earnings increase from restaurant activities, coming largely from Red Lobster Inns' profitable expansion from 42 to 61 units; 4.) nearly 40 per cent earnings growth by consumer non-foods, including strong sustained gains by fashion apparel and costume jewelry, and realization of turnaround goals by craft, game and toy operations, which more than doubled their profits; 5.) a 43.1 per cent earnings gain from specialty chemical activities; and 6.) a 25.5 per cent earnings gain from international activities. Total operating profits (pretax earnings before unallocated corporate expenses) grew 18.8 per cent to $173,400,000, or approximately at the same rate as sales.

This performance made possible new company highs in earnings and earnings per share before extraordinary items for the eleventh consecutive year and led to a ninth successive year of increases in dividends per common share.

For their dedicated contributions to our continuing growth, we are grateful to our 40,651 employees worldwide, and we thank them for their outstanding performance.

We are optimistic about General Mills' future. Our record of growth in the food industry is well known and, as we look toward tomorrow, we see increasing rates of change in eating patterns offering many new opportunities. We also believe environmental trends are favorable to the future of our consumer non-food areas and specialty chemicals and worldwide markets for our products. Our success will be assured if we can continue to identify the changing desires and needs of consumers and develop the products and services that provide them with good quality and value.

In fiscal 1974, we are beginning a major acceleration in the capital expenditure program, necessary to support a business that has grown nearly $450,000,000 in sales the past two years and seeks at least comparable growth in the following two years. Compared with $56,600,000 provided for fixed assets in fiscal 1973, about the average spending level of the past four years, we are planning for about $200,000,000 in gross expenditures over the next two years for internal growth projects broadly throughout the company. This is an amount equivalent to cash internally generated in the past two years. Our plans emphasize our confidence in the continued long-term potential of existing business bases. The financial strength built over the past several years gives the company great flexibility in financing future needs, which also will include development of new business areas.

The consensus of economists holds that sustained growth will continue in the year ahead though at a desirably slowing pace from the boom rates of the recent past. We share that view. General Mills' sales have continued strong through the first two months of 1974, and prospects remain favorable. Earnings appear to be nearly in line with expectations despite pressure in some areas due to the price freeze proclaimed June 12 and Phase IV, which was recently announced.

The gradual pass-through of rising costs permitted in Phase IV seems reasonable to us when viewed as a transitional step toward the goal of decontrol, which we have advocated and still prefer. Despite problems associated with the Economic Stabilization Act, we are confident we will be able to achieve our programmed objectives in fiscal 1974.

Chairman of the Board

Vice Chairman

President

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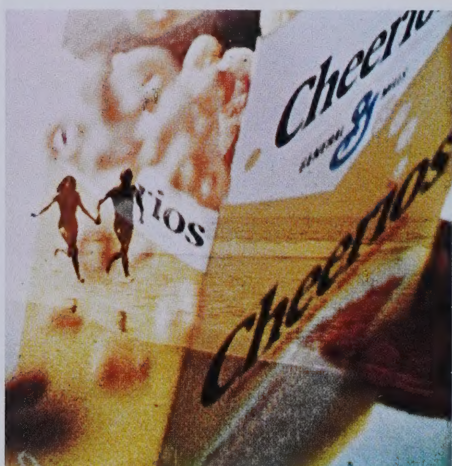
now & to-mor-row Business Review

NOW . . . In its 45th year, General Mills attained another record of exceptional economic progress, highlighted by the largest annual dollar gain in both sales and earnings in the company's history.

- **Sales increased $250,012,000, a gain of 18.6 per cent, and reached $1,593,167,000; less than three per cent of the sales total was accounted for by price increases since a year ago.**
- **After-tax earnings grew $10,889,000 to $65,560,000, or 19.9 per cent above earnings before extraordinary items in the previous year; net margins held stable at 4.1 cents per sales dollar.**
- **Earnings per common share and common share equivalent of $2.80 are 43 cents, or 18.1 per cent, greater than the $2.37 earned before an extraordinary charge of 30 cents in fiscal 1972.**

All results are restated to reflect the results of Kimberly Knitwear, Inc.,



"Get up and go with Cheerios," was the message in this TV commercial. Picturing young surfers, it stressed the nutritional qualities of Cheerios.

quality merchandiser of women's knit apparel, acquired October 3, 1972, and accounted for as a pooling of interests.

The overall accomplishments of the past year, following nearly comparable progress in the previous year, demonstrate the successful implementation of General Mills' strategy: emphasizing internal growth from balanced, diversified bases established during the past decade and unstinting efforts to improve the efficiency and effectiveness of all activities.

All major product groups had strong performances in both sales and

General Mills and its subsidiaries support their products with advertising and promotion in nearly every form of media. The illustrations in this Business Review are from print and television advertisements.

earnings. The foods at home category continued the vigorous sales growth evidenced last year while concurrently moving the profit growth from 5.6 per cent in fiscal 1972 to 10.1 per cent in 1973. Foods away from home also showed strong growth in both sales and profits as the Red Lobster Inns expansion paced this group. Furthermore, the company's consumer non-foods and specialty chemical activities, here and abroad, achieved the profitability anticipated when these various businesses were developed.

Sales, for example, increased 25.1 per cent and operating profits 40.9 per cent for the major consumer diversification of recent years—restaurants and such consumer non-foods lines as crafts, games, toys, costume jewelry, fashion apparel, outdoor recreational clothing and equipment and adult hobbycrafts. A year earlier, these activities generated 26.6 per cent sales growth and increased operating profits 65.9 per cent, as restaurants emerged as a major new source of earnings and crafts, games and toys reversed an unfavorable earnings trend.

Specialty chemicals, a diversification which General Mills began several decades ago, grew 25.2 per cent in sales and a bigger 43.1 per cent in earnings. This followed gains of 21.8 per cent and 64.5 per cent in sales and operating profits a year earlier.

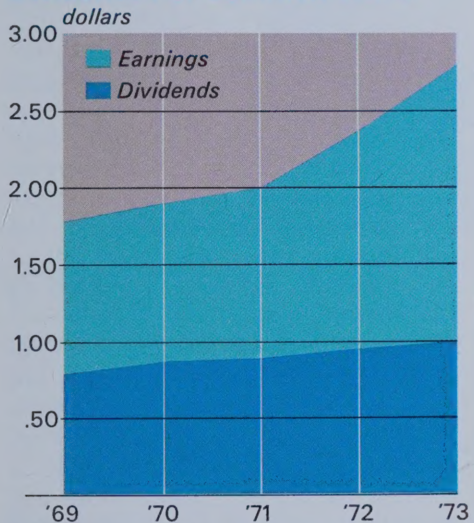
In recent years, significant international sales and earnings have been provided by crafts, games, toys, specialty chemicals and foods in markets that could not effectively be served through exports. This past year, international revenues increased 16.6 per cent to $244,039,000. Operating profits continued their improvement, advancing 25.5 per cent to $23,727,000, or more than double the earnings of just two years earlier; they now represent 13.7 per cent of total operating profits.

Steps taken at the end of fiscal 1972 to consolidate food production operations and terminate unsuccessful food service and restaurant test ventures

This mountain climbers TV commercial featured the theme, "Are you ready for Wheaties?"

brought important cost savings. Furthermore, the release of approximately $10,000,000 in capital from these moves and disposition of certain miscellaneous assets helped to reduce interest expense, which was down $2,151,000. A year-to-year increase of $357,000 in investment tax credits, which in fiscal 1973 totaled $1,536,000, equivalent to about 6½ cents per share, also helped earnings growth.

Earnings Per Common Share and Common Share Equivalent Before Extraordinary Items; Dividends Per Common Share



See page 30 for data on which this chart is based.

Collectively, the strategies of the past decade have tripled sales, more than quadrupled net earnings and compounded earnings per share at the annual rate of 11.4 per cent. During the most recent five years, earnings per share have grown in line with the rate for the entire decade and in line with the company's goal, advancing at an 11 per cent annual pace from $1.66 in fiscal 1968 to $2.80 at present.

Moreover, this earnings growth has permitted dividends per common share to increase for nine successive years in addition to providing growing resources to finance further progress. Dividends paid during fiscal 1973 totaled $1.00 per share compared with 96 cents the previous year, marking 179 consecutive regular dividend payments without reduction—one for each quarter of General Mills' history.

... **AND TOMORROW**, with the solid base and financial strength enhanced by substantial earnings growth the past several years, General Mills is well positioned to take advantage of environmental trends foreseen during the balance of the current decade and to continue to grow in line with its objectives.

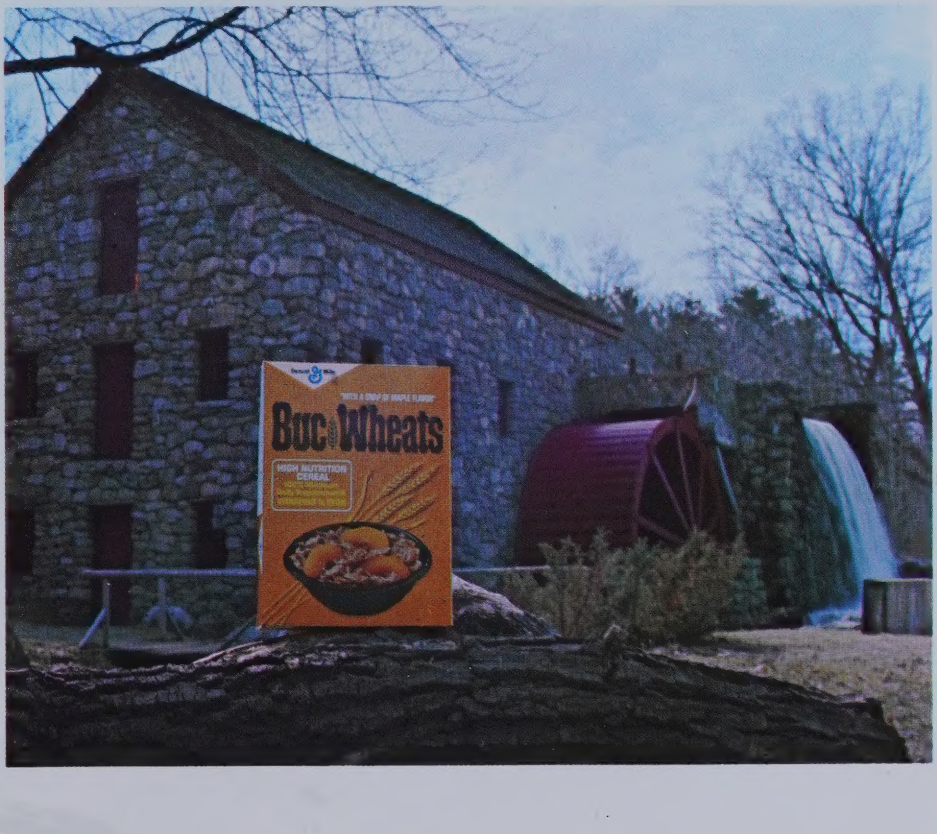
In the past 10 years, General Mills has undergone a major reshaping, moving from an agricultural commodity to a consumer oriented company. The present strategy continues the plan formulated in 1965 of: 1.) maximizing the profit growth of continuing businesses by expanding market share, broadening existing product lines and entering new product areas that offer substantial growth potential; 2.) building significant new businesses that take advantage of changing consumer life styles and expected increases in disposable income worldwide.

The long-range objective was, and is, to assure that General Mills achieve its goal of sustained growth of earnings per share at a compound annual rate in excess of 10 per cent.

During the last half of the 1960's, many of the company's resources and energies were transferred into businesses offering greater profitability and growth potential. Heavy emphasis on food remained, but the company moved out into consumer non-food products and made initial entry into consumer services. Between 1965 and 1970, over a half-billion dollars was invested in building the business—75 per cent for acquisitions, 25 per cent for new fixed assets. In contrast, of the half-billion dollars to be invested during the five years ending in 1975, over 75 per cent is projected to support existing businesses. This reflects the strategy shift started in 1971 — from substantial broadening of the base to realizing the profit potential of diversification already undertaken.

The investments made since 1968 have had a dramatic impact on sales growth. For example, of the $924,300,000 of sales growth reported during the past five years, about 54 per cent

*Nostalgia for the old-time flavor of buckwheat and maple is evoked by the buckwheat mill in this TV commercial for Buc*Wheats cereal.*



has come from acquisitions and their subsequent growth; approximately 35 per cent has resulted from internally developed new products in areas that existed in 1968. The remaining 11 per cent came from products established over five years ago. From a financial perspective, the diversification that General Mills has pursued should continue to be rewarding.

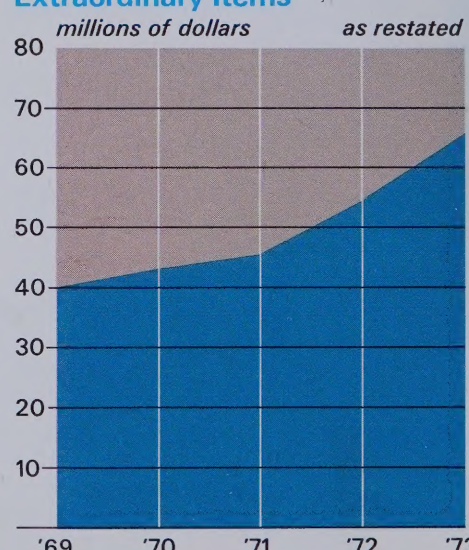
Betty Crocker Snackin' Cake was backed with a print ad that stressed deliciousness, richness, moistness and ease of preparation.

FOODS AT HOME. General Mills' domestic food activities are taking advantage of the increasing rates of change in eating patterns; the continuing desire for convenience in preparation, service and cleanup; the growing interest in variety and the satisfaction of individual consumer tastes; and the growing interest in nutrition and value. These basic trends are the guiding forces behind the aggressive new product program, as well as the marketing and product innovations in established products. The trend away from three formal meals to a much more disintegrated pattern of family eating is providing opportunities in several different areas. General Mills has been widening its participation in the highly important breakfast field by providing new ready-to-eat cereals and a number of other new non-cereal ready-to-eat breakfast products designed to provide sound nutrition in forms that the consumer desires. Major opportunities also exist in the whole entree and side dish area as housewives continue to look for interesting combinations of variety, good taste and convenience. Various Helper products and BONTRAE vegetable protein products are being positioned against this market. The snacking phenomenon continues to grow as snacking is now the most frequent eating occasion, and product opportunities in this category continue. General Mills' business strategy in the foods at home area continues to be to explore aggressively a large number of new areas with products moved to marketing exposure as rapidly as possible and then heavily promoted where results warrant.

FOODS AWAY FROM HOME. Currently, about 20 per cent of all meals are eaten away from home. This percentage is expected to increase substantially with more working wives who want to get out of the kitchen, more leisure time, greater travel and increased affluence. The selective-menu, limited service segment will experience the most growth, capitalizing on the rising desire for good quality food at reasonable prices, rapid sit-down service, a compatible environment and convenient locations. General Mills is rapidly expanding its activities in this segment, primarily through Red Lobster Inns specialty seafood restaurants. In only three years, the number of company-operated units has grown from five to 61, and new units continue to open at the rate of about two per month. Furthermore, two other restaurant concepts in test could lead to additional earnings potential. General Mills is also capitalizing on growth in away-from-home eating as a food service supplier, offering a broad line of frozen seafood products through The Gorton Corporation and bakery flour and institutional mixes marketed by the Sperry Division.

CONSUMER NON-FOODS. General Mills' fun and fashion activities are expected to benefit significantly from the growth in increased leisure living, stimulated by a one-third increase in median family income during this decade, from $9,870 to $13,140 in 1970 dollars. Coupled with smaller families,

Earnings Before Extraordinary Items



See page 30 for data on which this chart is based.

"Easy candy from Betty Crocker Frosting Mix," said a magazine ad at holiday time.

this should result in a marked increase in spending per child on games and toys, creating a healthy environment for the company's lines despite some decline in the total number of children. General Mills' direct marketing operations — LeeWards, Eddie Bauer and newly acquired Talbots — are well positioned to take advantage of the growing demand for adult hobbycraft and outdoor recreational clothing and equipment that expanded leisure living will create. The successful opening of 24 direct marketing retail outlets during the past three years, plus expected addition of others in the years to come, further enhances the company's position in this area. General Mills' entries in the fashion apparel and costume jewelry businesses concentrate on consistently fast-growing segments that take advantage of longer-term apparel and jewelry trends, such as sportswear for leisure living and men's growing interest in their wardrobes.

SPECIALTY CHEMICALS. The major chemical thrusts are focused on particularly attractive specialty product areas. General Mills is one of the nation's largest producers in the fast-growing natural Vitamin E market. It is the leading supplier of chemicals to recover minerals from low-grade ores with little pollution, and it is developing new water-based and solventless coating systems to capitalize on the trend toward increasingly stringent air pollution standards. All of these activities are expected to result in a significant contribution to future earnings.

INTERNATIONAL ACTIVITIES. During the past few years, General Mills has built solid bases in a number of international markets — consumer foods, games and toys and specialty chemicals. Collectively, international activities now account for over 15 per cent of the company's sales. International markets represent considerable potential for General Mills. The value of world trade is expected to rise from \$275 billion to about \$1.5 trillion during the 1970's, and the United States investments should more than triple from \$60 billion to \$200 billion during the same period. These trends will provide opportunities for General Mills' international efforts over the next several years.

NEW BUSINESS OPPORTUNITIES. Although heaviest emphasis will be on internal growth efforts, the com-

Gold Medal 'Kitchen-tested' Enriched Flour and Betty Crocker Whipped Frosting Mix teamed in a magazine advertisement to promote a one-mix cake.

Statue of the famous "Man At the Wheel" in Gloucester, Mass., inspired the corporate symbol of Gorton's of Gloucester.

pany will also remain alert to additional promising areas; it may be expected to enter selected new fields and develop new opportunities. For example, in recognition of the growing movement toward a service economy —and to capitalize on the rising sophistication, educational interest and affluence of consumers—the company is currently conducting probes in consumer service areas.

MANAGEMENT. As General Mills grows, the importance of a dynamic, yet experienced management team increases. Both the formal management organization and individuals must be capable of adapting to the more rapid pace of change worldwide, be it to new consumer life styles and their needs, expanding governmental activities, changing work attitudes or evolving corporate social responsibilities. To prepare for the orderly development of management in the years ahead, two top management changes became effective June 1, 1973: James A. Summer, President and Chief Operating Officer, was named Vice Chairman and Chief Development and Financial Officer, and E. Robert Kinney, Executive Vice President and Chief Financial Officer, became President and Chief Operating Officer. James P. McFarland continues as Chairman and Chief Executive Officer.

To handle the continuing rapid growth in the Consumer Foods Group, three Group Vice Presidents were appointed. They are Walter R. Barry, Jr., F. Caleb Blodgett and Arthur R. Schulze, all formerly Vice Presidents and division General Managers. James J. Feeney and Darryl J. Woodland, Vice Presidents, were named General Managers of the Sperry Division and the newly formed Procurement Division respectively. Newly appointed as General Managers were James G. Fifield, Golden Valley Division; Ramon P. Fouse, Betty Crocker Division; and Preston Townley, Big G Division. Walter W. Faster was named Director of Protein Operations. Fifield, Fouse and Townley were appointed Vice Presidents, along with Marylee Duehring, who became Manager of the Betty Crocker Kitchens. Gordon E. Whiteman, Vice President and Director of Major Commodity Operations, retired after over 32 years of service to General Mills.

Other key operating changes included the appointment of Robert K. Swanson, Vice President, as Chairman of the Board of General Mills Europe Limited. John B. Holmes was named President of David Crystal, Inc., succeeding Vincent dePaul Draddy, who became Chairman. Paul J. Curran was named Manager, International Operations, Craft, Game and Toy Division. John D. Herrick, General Manager, Canadian Operations, was appointed a Vice President, and Werner Balzer was named Managing Director of Brohm Spielwaren in West Germany.

Newly appointed staff officers include Ivy Celender, Vice President, Director of Nutrition Service, and Cyrus E. Johnson, Vice President, Social Action. Harold A. Wittcoff, formerly Vice President and Director of Corporate Research, assumed new responsibilities with General Mills Chemicals, Inc.

In addition, two new members were elected to General Mills' Board of Directors. They are Nancy White,

"One pan, one pound and one package" of Hamburger Helper are all it takes to change plain hamburger into a dinner dish the whole family will enjoy.

"Baking over 100 delicious things is a snap with Bisquick" is the message in this television commercial.

Fashion Director and a member of the Management Committee of Bergdorf Goodman, one of the most prestigious women's specialty stores in the United States, and Richard L. Terrell, a director and Executive Vice President responsible for the Car and Truck and Body and Assembly Divisions Group of General Motors. William H. Lang, President of Foley Brothers, Inc., St. Paul, reached the retirement age for directors after serving with distinction since 1954; he was a member of the Executive Committee at the time of his retirement.

These and other moves have further strengthened the organizational structure and leadership support the company needs as it moves toward its goal of two billion dollars in sales by the end of 1975 and plans for sustained progress beyond.

A discussion of fiscal 1973 operational highlights follows.

Foods at Home

(Millions)

	1973	1972	Change
Sales	\$906.1	\$785.8	+15.3%
Operating Profits	\$112.3	\$102.0	+10.1%

Sales exceeded \$900,000,000 for the first time as revenue growth of over \$100,000,000 was achieved for the second successive year. While newer products added substantial sales and continued to play an important role both in domestic and international markets, the record of established products was outstanding. Significant volume increases resulted in gains in market share for almost all categories.

The operating profits increase of 10.1 per cent was half a per cent above the 9.6 per cent compound growth rate of foods at home the past five years as new product investments began to return increasing profits. Continuing government controls for the food industry resulted in some delays in obtaining approval for price adjustments. Particular margin problems were experienced in family flour and meat-based products. These problems were partially offset by productivity gains provided by consolidation of facilities in fewer plants, equipment modernization programs, plant through-put increases and substantial volume growth.

Breakfast and Snack Items

Record ready-to-eat cereal volume, continued strong gains by European snack operations and important production efficiency gains for domestic snacks enabled breakfast and snack items to show a sales increase of 12.7 per cent to \$441,900,000, and a bigger 15.7 per cent gain in operating profits to \$68,600,000.

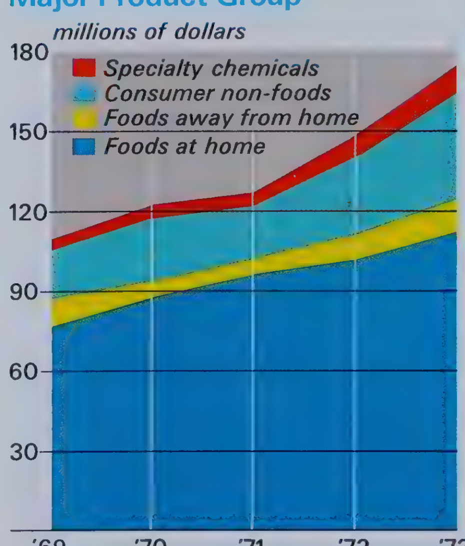
Big G cereals performed well in a market which the company estimates grew in excess of 10 per cent in pound volume while demonstrating the strongest growth since 1943. This market expansion springs from good acceptance of new products, consumer recognition of upgraded nutritional levels and an improving cost/value relationship for ready-to-eat cereals compared to other breakfast alternatives, with the high cost of meat and many other food products.

Delivery volume set all-time records, far surpassing the record posted last year as established cereals and newer brands shared growth laurels. Cheerios not only achieved the highest volume of its 30-year history but became the No. 1 selling brand in the industry based upon number of packages sold. Trix, Lucky Charms and Cocoa Puffs also achieved new record volumes, and Wheaties had its best volume growth since 1967. Buc*Wheats proved itself as an established product by exceeding original second-year goals while Count Chocula and Franken*Berry, also second-year products, continued to be very successful Big G child cereals. Boo*Berry, a blueberry flavored cereal fortified with eight essential vitamins plus iron, was introduced into national distribution in January.

To sustain these favorable trends, Protein Plus, a high protein cereal fortified with vitamins and iron, and Mr. Wonderfull's Surprize, cereal puffs with a creamy vanilla or chocolate filling, entered test markets. Nature Valley Granola will enter lead markets early in fiscal 1974 as General Mills' first entry into the fast-growing granola/natural cereal segment of the ready-to-eat cereal market.

Efforts to develop nutritious and convenient non-cereal breakfast alternatives were expanded. Breakfast Squares, baked frosted squares designed to provide a complete light breakfast or snack in compact, convenient form, were readied for expansion based on continued good results in Midwest and West Coast markets. Betty Crocker Breakfast Wrap-ups, a line of unique frozen "meat and filling" items designed as a convenient form of traditional hot breakfast, received favorable initial trial in test markets. A third product, Betty Crocker French

Operating Earnings by Major Product Group



See page 29 for data on which this chart is based.

The party's over; the guests are gone and so are the Chipos. That's the story of a television commercial showing why Chipos are favored over ordinary potato chips.

Toastwiches, also entered test; this is a line of frozen toaster French toast with fillings such as maple and bacon and blueberry.

Combined snack food operations in the United Kingdom and Western Europe reported favorable trends. Sales gains exceeded 15 per cent as sales grew to over $100,000,000 for the first time; operating profits advanced in line with sales and reached record levels for the second successive year.

In the United Kingdom, Smiths potato crisps and Big "D" nut products performed well, and the launching of a new extruded potato stick snack was successful. Other extruded snacks also did well. This pattern prevailed at Smiths-Holland and Smiths-Belgium. Biscuiterie Nantaise in France saw exceptional gains in both its traditional product categories and a newly launched chocolate enrobed cookie, and had significant success in entering new snack areas. Only the company's 50 per cent owned beverage subsidiary in Italy, Fonti Levissima, was disappointing.

In domestic markets, Tom's Foods Ltd. expanded distribution by adding 55 new truck routes and placing 6,000 vending machines, bringing the total to well over 100,000. Sales and earnings continued to grow, but the highest potato prices in many years prevented earnings from potato chips from attaining expected levels.

The most extensive promotion in Tom's history placed some 7,000 large merchandising displays in retail accounts. Distribution will expand on the West Coast following construction of a new potato chip and snack plant with a distribution facility in Fresno, Calif. Bugles snacks are now being produced in a Tom's plant, a corn chip line was expanded and the introduction of Cheddar Taters represented important new volume.

The Donruss Co. introduced several new products, including a vending bubble gum product for use in many of Tom's machines and a five cent trading card product featuring the popular singing group, Donny and the Osmonds.

The GoodMark Division, which distributes Slim Jim and Penrose meat snacks and Andy Capp specialty snack items, achieved strong volume gains through continued expansion of supermarket distribution. Meat snack margins were squeezed, however, because selling prices were controlled and finally frozen in Phases II and III of the economic stabilization program while raw materials costs were increasing rapidly.

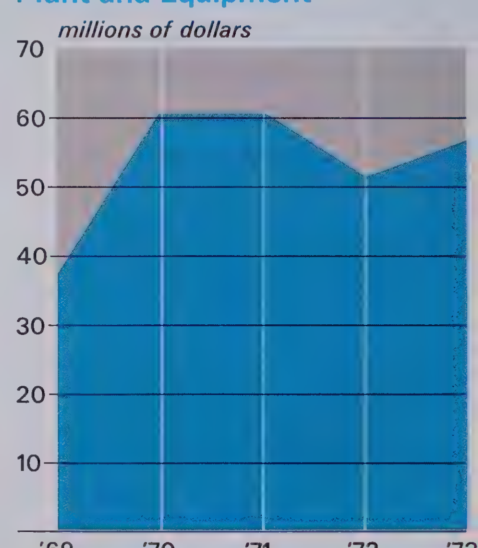
Chipos potato chips had a strong volume year, held back only by lack of capacity. Plant capacity is being expanded to serve this growing $600,000,000 market. Betcha Bacon and Cheddar Taters were added to General Mills' line of boxed shaped snacks. Consolidation of production of Chipos and shaped snacks at the West Chicago plant was implemented as planned.

Mixes, Family Flour, Seafood, Other Consumer Foods

Major volume gains by packaged casserole dinners, retail seafood, desserts, potato products and Canadian package food operations helped this category to record a sales increase of 17.9 per cent to $464,200,000. Delays in obtaining approvals to adjust prices in the face of sharp increases in raw material costs hurt margins; thus, operating profits advanced only 2.3 per cent to $43,700,000.

Betty Crocker Hamburger Helper Dinners, recognized as the No. 1 new product introduction in the nation's supermarkets in 1972, continued strong volume growth, aided by the introduction of a Cheeseburger Macaroni flavor. A line of three Tuna Helpers was added. The fast growing $265,000,000

Gross Expenditures for Plant and Equipment



See page 31 for data on which this chart is based.

A brochure for Red Lobster Inns shows a young diner enthusiastic about the good food, moderate prices and pleasant surroundings at the seafood restaurants.

market for casserole entrees attracted many new competitors, but General Mills enhanced its leadership position as sales gains exceeded the 30 per cent plus growth for the entire market. To the existing Hamburger Helper Dinners line, the company is adding lasagne and stew mixes. These products help the consumer stretch the food dollar by providing a complete casserole main dish for five when combined with a pound of hamburger or a can of tuna. Furthermore, preparation is confined in one pan, minimizing cleanup.

Consumer concern about escalating meat prices stimulated the domestic market for frozen retail seafood products. Gorton's introduced its new Value line to meet this opportunity. That move and favorable performance by canned clams and specialty products led to the best growth in retail sales since Gorton's was acquired in August, 1968. However, raw material cost pressures prevented profit growth proportionate to sales gains.

Betty Crocker dessert brands achieved record deliveries in each quarter of fiscal 1973 to strengthen their overall leadership position in retail dessert markets totaling $500,000,000. Snackin' Cake, a line of easy-to-prepare variety desserts which need no frosting, exceeded expectations in the first full year of national distribution and contributed significantly to this performance. Two new flavors, Applesauce Raisin and Chocolate Chip, were added during the year, making a total of five flavors now available on grocers' shelves.

The important ready-to-serve frosting line and Betty Crocker brownie mix products attained record deliveries. This helped offset volume declines in layer cakes and frosting mixes, caused by entry of a great variety of non-frosted cake forms—including Snackin' Cake. New dessert flavors introduced nationally included Sour Cream Yellow and Strawberry Cream layer cakes, Strawberry Cream Whipped frosting mix and Sour Cream White and Sour Cream Chocolate ready-to-spread frostings. The combined sales of Pioneer Products candles and cake decorations and Gay-Gem paper party favors increased.

Record high fresh potato prices helped stimulate exceptional growth in the processed potato market. Potato Buds and Betty Crocker potato specialties recorded major volume gains and maintained market leadership. Established baking mix lines showed favorable trends; Bisquick sales exceeded the 39-year high achieved in fiscal 1972, muffins reached an all-time peak and pie crust products achieved record market share position.

Bac*Os also achieved record sales. So did Jesse Jones' line of sausage and luncheon meats, despite consumer resistance to higher prices caused by raw material increases which, in turn, caused sharp margin reductions.

Escalating wheat costs following news of heavy exports led to earnings substantially less than expected for General Mills' family flour brands. Unusually lengthy delays in gaining government approval for price adjustments hit at margins during key fall and winter merchandising periods. Gold Medal ' Kitchen-tested ' Flour, as well as regionally distributed brands, such as Red Band, LaPina and Sperry Drifted

"Nobody's ever neutral about SLIM JIM Meat Snacks," was the theme of a television commercial for these GoodMark, Inc., products. "You either love them or you don't." This man loves them.

Snow, continued to provide General Mills' market leadership in this $250,000,000 market although share of market declined for the first time in many years.

Internationally, Canadian package food operations substantially improved market position and increased profits accordingly. Newer products, such as Hamburger Helper Dinners, played an important role, but traditional items of both the Grocery Products and Lancia-Bravo Divisions showed favorable trends. Flour milling and package foods operations in Mexico and other Latin American countries were hurt by rising commodity costs.

Foods Away from Home

(Millions)

	1973	1972	Change
Sales	$247.2	$195.3	+26.6%
Operating Profits	$ 11.7	$ 8.6	+36.0%

Commercial Foods and Ingredients

Sales gains accelerated with increased demand and higher average selling prices for commercial foods and ingredients. Total sales for these products advanced 18.9 per cent to $192,600,000. Operating profits moved ahead 20.9 per cent to $5,200,000.

Gorton's food service business grew well, both in dollars and volume, with new product emphasis on portion-controlled Fillette products and BONTRAE textured vegetable protein products. Fishing in the Magdalen Islands was ahead of expectations as new trawlers were put into operation, despite a seven-week strike. In Peru, natural forces warmed the ocean water driving away the anchoveta and leading to a ban on fishing. This proved disastrous for both the entire Peruvian fishmeal industry and the world's supply of high protein feed for poultry and livestock. Cost pressures on seafood raw materials caused by increased demand and currency revaluations, plus losses at the Peruvian fishmeal plant left without fish to process, resulted in reduced earnings for Gorton's commercial seafood activities. In May, Peruvian fishmeal operations were nationalized. As a result, a loss—not material with respect to the year's earnings—was charged to fiscal 1973 operating results pending determination of settlement with the Peruvian government.

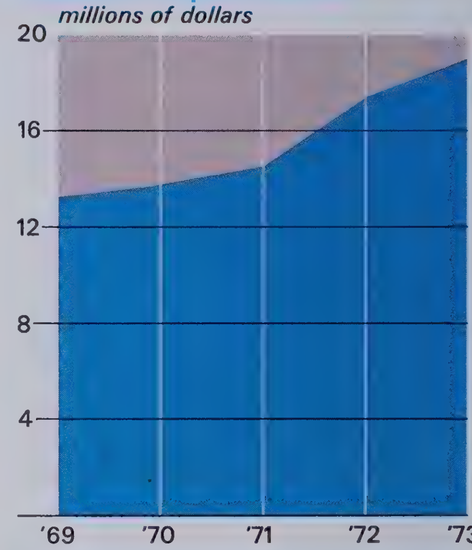
The traditional flour and bakery mix portion of the company's food service business showed both share growth and profit improvement, reflecting operating efficiencies and an overall strengthening of the company's food service position. Bakery flour, on a volatile pricing basis under price controls, delivered the highest volume since capacity reduction during the mid-1960's, resulting in good capacity utilization and higher earnings. Chemical food ingredients achieved favorable sales growth, particularly in increased demand for wheat gluten.

Latin American milling operations suffered from exceptional price increases of United States wheat that were not matched by approved sales prices.

Baby Alive, Kenner's newest doll, is featured in the toy firm's latest catalog. The doll "eats and drinks and feels soft like a real baby."

General Mills' commercial protein sales doubled during the year through improved coverage of food service accounts by Gorton's and the limited introduction of a vegetable protein hamburger extender for use by supermarkets. The protein ingredient is mixed with hamburger to create a beef/BONTRAE blend that is nutritionally comparable to regular ground beef but lower in cost. Consumer response has been excellent. National expansion is contemplated in the first quarter of fiscal 1974 as new production capacity comes on stream.

Research Expenditures



See page 31 for data on which this chart is based.

Restaurant Activities

Sales of restaurant activities increased 64.0 per cent to $54,600,000 as Red Lobster Inns specialty seafood restaurants opened 19 company-operated units during the year. Operating profits advanced 51.2 per cent despite a small margin reduction caused by higher raw seafood prices.

Red Lobster Inns expanded during the past 12 months in Ohio, Indiana, Missouri and Kansas, where consumer acceptance was excellent. High sales levels continued in the southeastern states, making Red Lobster Inns the dominant multi-regional seafood chain. Over 14,000,000 meals were served, and by year's end over half a million customers a week were visiting Red Lobster Inns.

Plans for fiscal 1974 call for expansion from 61 to approximately 90 Red Lobster Inns, including nine new openings in the first quarter. These will include initial units in Texas. In addition, four Tree House restaurants, including a

new unit in Orlando, Fla., remain in test.

E. H. Thompson Co. expanded its restaurant furnishings and fixtures business to serve customers in the Midwest while continuing to grow in the Southeast.

General Mills' other restaurant entry is the Betty Crocker Pie Shop, which features a broad line of quality fresh-baked pies. The restaurant menu has been expanded and has contributed to improved performance. In addition to four Twin Cities and two Hartford, Conn., area units, the company will open two units in the Boston, Mass., area in the second quarter of fiscal 1974 to complete the test of this concept.

Consumer Non-Foods

(Millions)

	1973	1972	Change
Sales	$381.2	$315.2	+20.9%
Operating Profits	$ 42.1	$ 30.2	+39.4%

Crafts, Games and Toys

Fiscal 1973 was the most successful year ever for General Mills' crafts, games and toys. Substantial gains by each domestic operation and the combined international group accounted for a 17.4 per cent gain as sales reached $173,700,000. More importantly, the effort begun two years ago to reverse an unfavorable earnings trend brought operating profits to $14,000,000—10 times greater than earnings in fiscal 1971 and an advance of 129.5 per cent over a year ago.

"Softest, safest toy cars ever," said the Parker Brothers catalog about the new Nerf-Mobile made of colorful, non-toxic synthetic foam.

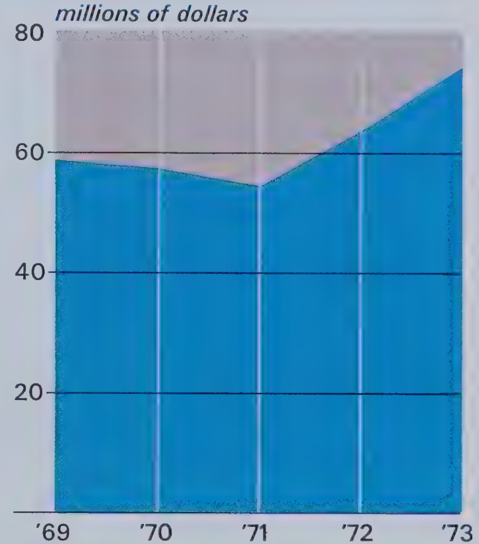
Parker Brothers continued their strong growth in the board game business, with resultant excellent gains in both sales and earnings. Kenner, a domestic marketer of toys and dolls, successfully launched Gabbigale (recording/talking doll) and "Snoopy" battery-powered toothbrush and enjoyed favorable trends in established lines. Fundimensions combined volume gains by Craft Master lines and Lionel model trains and resolved Lionel manufacturing problems.

International toy and game operations continued to grow in importance. Parker Brothers Games in Canada, Palitoy and Denys Fisher in England, Miro in France and Novedades Plasticas in Mexico recorded strong performances. Only Brohm Spielwaren in Germany, where operating losses were coupled with inventory write-offs due to changes of its line, was a disappointment.

Prospects for fiscal 1974 are excellent. At national toy fairs held in each country, company products were received with more enthusiasm and larger orders than ever before. Notable are Kenner's Baby Alive, which may be the leading U.S. doll this season; Brohm's Rhabarberland, a preschool line in Germany; Action Hockey, introduced both by Parker (U.S.) and Parker Brothers Games (Canada); Palitoy's Escape from Colditz game; Disney's Pirates of the Caribbean kits from Fundimensions; Parker's Nerf-Mobile; Wanda, a "magic" walking doll from Denys Fisher; a new fantasy ride-on line of pedal cars from Novedades Plasticas; and Toltoys' (Australia) Das Pronto, a modeling material line. Staples like Monopoly, Play-Doh, SSP, Spirograph, Lionel and others form the backbone of operations throughout the world, and these too show good strength for 1974.

Two recent acquisitions will provide new breadth. Purchase of Meccano France, S.A., a marketer of construction toys, electric trains, Dinky toys and toy projectors, expanded the foreign group. In North America, a new field of unusual promise was entered through the acquisition of H. E. Harris & Co., Boston, considered the world's largest dealer in stamps for collectors. The Harris company deals in stamps from every country in the world, and a major part of its business is mail-order.

Advertising Expenditures



See page 31 for data on which this chart is based.

Fashions and Direct Marketing

Sales of fashions and direct marketing operations, at $207,500,000, increased 24.1 per cent from a year earlier and are nearly double the figure of fiscal 1970. All fashion activities displayed strength, and additional retail stores added significantly to the direct marketing activity, which includes mail-order as well. Operating earnings increased 16.6 per cent, largely as a result of strong gains in costume jewelry and fashion apparel.

Fiscal 1973 was one of significant gains for fashion activities, one of the strongest to date with no slowing of the growth rate as the size of the base increases. From their well-accepted positions in branded classic and casual apparel and accessories, and with rising consumer confidence and its impact on spending, all fashion activities did well.

"Jewelry in the golden manner of Monet," proclaims fashion advertisement. The necklace and earrings are from Monet's Paisley series.

Kimberly Knitwear, Inc., the most recent fashion acquisition, contributed new earnings, and broadened General Mills' participation in the world of fashion. Kimberly markets high-quality, delicately-tailored and classically-styled women's knit clothing and is recognized as a leader in its segment of the industry. For summer 1973, Kimberly successfully introduced an all-polyester line, its first true summer line. Continuing the exquisite character and meticulous attention to detail, this summer line promises to be an exciting addition and should provide important balance for Kimberly.

Demand continued strong for Monet's established costume jewelry products. Several new, contemporary styles in gold and white, added to the fashion lines, boosted the already excellent performance. From only one plant at acquisition five years ago, the completion of a third facility in Pawtucket, R.I., this year is testimony to Monet's outstanding performance.

Virtually every operation of David Crystal also experienced gains. Sparked by styling advances and broadened product lines, dresses saw good year-to-year gains. The "Put-Together" concept attracted new customers for suit operations, which had one of its strongest years in recent history. Additionally, Crystal Sunflowers became a significant producer of children's wear. Izod effectively merchandised a fully coordinated line of men's sportswear and developed Izod shops within numerous department stores.

Alligator all-weather fashion coats also became firmly established.

Siltex doubleknit fabrics from The Silna Corporation, after weathering the previous year's industry dislocation, returned to high-level operating rates and improved profitability. The company acquired new sophisticated knitting machines and computerized pattern design machines, along with other equipment to ensure its position as the leading fashion knitter. In addition, it established a nationwide sales force.

In direct marketing, LeeWards, one of America's largest suppliers of hobbycraft, art needlework, embroidery and home sewing items, continued to benefit from the strong consumer demand for more creativity in leisure-time activities. Retail expansion continued, with 10 new supermarket-sized stores in Detroit, Indianapolis, Pittsburgh, Houston, Philadelphia, St. Petersburg, San Diego, Minneapolis, St. Louis and East Northport, L.I., bringing to 23 the number serving hobbycraft enthusiasts across the nation. Operating results withstood the heavy impact of the new store openings with their attendant start-up costs. Seven additional stores will be added early in fiscal 1974.

This sparkling sport ensemble was featured in high fashion magazine advertisements for Kimberly Knitwear, Inc.

The Eddie Bauer catalog is the last word on clothing and equipment for many outdoorsmen. Shown here is the new Eddie Bauer Kara Koram Expedition Parka, insulated with goose down to protect all the way to 80 degrees below zero.

Continued strong consumer interest in the outdoor way of life sparked another year of rapid growth for Eddie Bauer's quality lines of outdoor recreational clothing and equipment. Although competition intensified, Eddie Bauer maintained its strong position in this rapidly expanding market. New retail stores, opened in San Francisco and Minneapolis, proved successful; a fourth retail outlet in Chicago will open in the second quarter of fiscal 1974.

The Direct Marketing Division was broadened early in fiscal 1974 with the acquisition of The Talbots, a mail-order marketer of quality sportswear for ladies. It also offers a limited sportswear line for men. Headquartered in Hingham, Mass., The Talbots also has retail outlets in Duxbury and Lenox, Mass., and outside New Haven and Hartford, Conn.

General Mills expanded probes into consumer service areas during the

past year. Olson Travel Companies, specializing in packaged tours to Europe for the past 35 years, was acquired to complement the previous year's purchase of a 50 per cent interest in Travelworld, Inc., which specializes in tours to the Orient, South Pacific, Africa and South America. Testing of the Counterweight personalized and computerized weight control program was continued. Late in the year, the first Betty Crocker Creative Learning Center was opened in suburban Minneapolis; this is a service offering adult education courses in a wide spectrum of subjects. All of these activities are considered in the developmental stage.

Specialty Chemicals

(Millions)	1973	1972	Change
Sales	\$58.7	\$46.9	+25.2%
Operating Profits	\$ 7.3	\$ 5.1	+43.1%

All of the major chemical product lines—industrial vitamins, liquid ion exchange reagents, resins and water-

In its catalogs mailed to millions of hobbyists, LeeWards presents over 10,000 articles for a wide range of leisurecraft activities, like the latch hook rugs and pillows shown here.

In English and French a General Mills Canada, Ltd., advertisement tempted Canadians to try Betty Crocker Whipped Frosting Mixes.

soluble polymers—showed strong growth and led to another year of exceptional gains for General Mills' specialty chemical businesses. For the past two years combined, sales have advanced 52.5 per cent and operating profits 135.5 per cent. Strong emphasis continued on research, technology and marketing expertise. Recent progress is the result of this emphasis and the benefits of a good economy worldwide.

An important factor in fiscal 1973 results was continued strong demand for natural Vitamin E. International chemical activities also achieved above-average gains while building stronger bases from which to expand in the European Common Market, the Americas and the Far East. The remaining 50 per cent of the shares of Indusquima, S.A., located in Sao Paulo, Brazil, were acquired during the year.

Demand for an expanding line of LIX reagents, providing a relatively new technology for the recovery of low-grade ores without use of conventional smelters, continues to increase. Several new copper facilities using LIX reagents have been announced.

O-Cel-O sponge operations also experienced their most favorable growth in recent years.

Financial

As was true in fiscal 1972, cash flow generated by operations was sufficient to finance the company's permanent capital requirements. In addition, internally generated funds accumulated over the last two years provided the dollars to repay about \$23,000,000 of long-term debt. These factors together with lower seasonal working capital requirements resulted in interest expense of \$18,287,000 versus \$20,438,000 in fiscal 1972. Although capital requirements are expected to accelerate in the year ahead in line with growth of the business, the financial strength

built over the past several years gives the company great flexibility in financing future needs.

The continued weakness of the dollar on foreign exchange markets did not have a material effect on earnings because of a general company policy to maintain a relatively balanced position in foreign exchange.

In response to stockholder requests, an Automatic Dividend Reinvestment Plan was made available to common shareholders. Inquiries concerning this service should be directed to the First National Bank of Minneapolis, Dividend Reinvestment Agent, P.O. Box A700, Minneapolis, Minn. 55480.

This trade publication ad for Covitol high potency vitamin E concentrates encouraged nutritional supplement manufacturers to use General Mills vitamins in products designed to meet the nutritional demands of today's active consumers.

Industrial Relations

The fiscal year was another period of good relationships between General Mills and the 21 international unions representing its employees in 73 bargaining units in the United States and Canada. Only two work stoppages developed from contract negotiations, a three-week strike in the chemical plant at Kankakee and a seven-week shutdown of Gorton's fish processing plant in the Magdalen Islands.

The principal negotiated settlement during the year was the Master Agreement with the American Federation of Grain Millers (AFL-CIO), which was renewed for three years. This Agreement covers fringe benefits and working conditions for employees in 19 plants. Also renegotiated were 31 location agreements, 11 multiple group pension contracts and nine health insurance contracts. Negotiated increases, with a few approved exceptions, conformed to the Guidelines of the Cost of Living Council.

To improve further conformance with corporate objectives and governmental regulations, industrial safety and health programs were expanded and extended to numerous subsidiaries. Established programs for training supervisory personnel in human relations principles and labor contract administration were also presented to a wider range of operations.

In the first half of fiscal 1974, wage negotiations will be conducted at several major company food plants, including those at Buffalo, South Chicago, Toledo, Lodi and West Chicago.

Advertising, Capital and Research Investments

Advertising media investments were $74,200,000 as General Mills maximized efforts to build physical volume of goods and services to sustain growth momentum. In addition to media investments, consumer and trade promotion efforts to gain sales also intensified.

Gross capital expenditures for fixed assets, designed to create the facilities and provide the tools for current and future progress, required $56,600,000 during the year, roughly equivalent to the average annual amount expended the past four years. The largest single area of new investment was for expansion of Red Lobster Inns restaurants.

Emphasis on internal growth required continuing increases in research and development expenditures, which reached $19,000,000. Success of new food, toy, chemical and other products in recent years demonstrates the importance of the efforts of the company's scientists and technologists to the company's progress.

Legal Matters

A discussion of pertinent legal matters is contained in Note 9 to the Financial Statements on page 28 of this report.

Point-of-sale display characterizes advertising for snacks and confections of Tom's Foods Ltd.

In Memoriam

Two executives who played prominent roles in the progress of General Mills have died since publication of the 1972 annual report.

Leslie N. Perrin, 86, President of General Mills from 1948 to 1952 and a member of the Board of Directors for 27 years before his retirement in 1961, died in Minneapolis on June 27, 1973. Mr. Perrin joined Washburn Crosby Company, predecessor of General Mills, in 1922 after 17 years with the Nye Jenks Grain Company in Chicago.

G. Cullen Thomas, 82, retired Vice President who played an important part in the development and promotion of bread and flour enrichment, died January 10 after an extended illness. Over a career that spanned 42 years at General Mills and the predecessor Washburn Crosby Company, Mr. Thomas was recognized throughout the cereal industry as one of the greatest pioneer cereal chemists.

Corporate Responsibility

The relationship between corporations and society is forever in a state of change, and today the rate of change is accelerating.

Providing the goods and services that people need is still the primary obligation of any company, but society is also placing new responsibilities upon corporations. General Mills is responding positively to these new social mandates.

Surely one of the mandates most forcefully expressed by society in the seventies is that all individuals be given every encouragement and full opportunity to develop to the limits of their abilities. General Mills management has always embraced this philosophy, and the company has traditionally been an equal opportunity employer. In the past year, the company has initiated an even broader affirmative action program to accelerate employment and advancement for minorities and women, to increase support of minority businesses and to provide financial assistance to minority causes and groups.

"We believe strongly that this action is of extreme importance," said James P. McFarland, Chairman and Chief Executive Officer.

"We are as committed to leadership in the fulfillment of our social responsibilities as we are to leadership in the marketing of goods and services."

The General Mills Affirmative Action Program has these basic objectives:

- To increase the hiring and advancement of minorities and women at all levels in the organization.
- To provide special training and professional development for employees whose potential for growth exceeds their present qualifications.
- To increase corporate support and use of minority businesses and suppliers.
- To assure that minority causes and organizations receive equitable treatment and support through contributions.

To head this new program, General Mills named Cyrus E. Johnson, Vice President, Social Action. Johnson, formerly in a management position at Illinois Bell Telephone Company, was active in civic affairs in Chicago.

At the same time, the company established an Affirmative Action Section within the Corporate Personnel Department to assure complete implementation of the corporate policy and appointed Ms. Janice E. Lightly, who has served in a variety of salary administrative and employment positions, as Manager of the new section.

General Mills set as its goal in the 1972-73 fiscal year the filling of a minimum of 15 per cent of new hires in management, professional and other exempt positions in the United States with minority or female personnel and building to a target of 25 per cent in 1973-74. The 1972-73 fiscal year goal was not only met but exceeded by a good margin.

General Mills also established specific programs to provide additional opportunities for minorities and women:

- An ongoing training program for minority clerical, stenographic, secretarial and other non-exempt employees in the Twin Cities. Similar programs are being studied for possible use at other major locations.
- An expansion of the company's summer intern program for management personnel to include 50 per cent representation by minorities and women. Under this program, which has been in existence for several years, college students spend the summer gaining experience in various General Mills departments and divisions. Many return after graduation for full-time employment.
- An annual recruitment and training program designed to bring into the company up to 12 high-potential minority and women exempt personnel for whom no job vacancy exists at the time of hiring.

"This hiring in excess of actual need," McFarland said, "will provide the company with persons deemed capable of filling responsible positions when such opportunities arise and will further accelerate the progress we feel necessary."

McFarland added that the company's program requires specific affirmative

Janice Lightly, Manager, Affirmative Action Section, is charged with accelerating employment and advancement opportunities for minorities and women in the company while Cyrus E. Johnson, Vice President, Social Action, is responsible for planning and directing social action programs at General Mills and subsidiaries.

action objectives from all managers of departments, divisions and subsidiaries and that these managers will be held accountable for the attainment of their objectives.

The new General Mills program targets the company to purchase at least 15 per cent of its Twin City office supplies from minority businesses and to continue and increase if appropriate its already substantial financial and personnel support to the Metropolitan Economic Development Association, a group devoted to the development of minority businesses.

On another front, too, the company gave added emphasis to its public responsibilities as a corporate citizen. Dr. Frank C. Hildebrand, Vice President, was named Counselor to the Public Responsibility Committee of the Board of Directors. That committee has a broad mandate to review policies and practices in many areas of public concern. William R. Humphrey, Jr., Vice President, was appointed Executive Director of the General Mills Foundation to succeed Dr. Hildebrand. Humphrey formerly was Director of Community and Civic Affairs.

The Foundation, General Mills' principal vehicle for grants to educational, civic, cultural, health and welfare programs, increased its contributions in these areas by 45 per cent. The corporation and its subsidiaries made direct contributions of $628,684, and the company provided $111,000 in college scholarships through the Betty Crocker Search for American Homemakers of Tomorrow. Looking to the future, General Mills and its subsidiaries also transferred $2,200,000 to the Foundation.

Major pledges of financial assistance by the Foundation included grants to the Metropolitan Minneapolis YMCA building fund, toward a new concert hall for the Minnesota Orchestra, to the Chicago Museum of Science and Industry, national medical fellowships for minority candidates and the Girl Scouts of the U.S. and for extended support of the Boypower '76 program of the Boy Scouts of America.

General Mills subsidiaries carry out their own social action programs. David Crystal, Inc., for example, gives financial assistance to a New York community center that serves many needy of advanced age. Kenner Products division, with a matching grant from the General Mills Foundation, helps support a program to find and train musically talented underprivileged youths, and The Gorton Corporation has made a significant grant to the YMCA of Gloucester, Mass., matched by the General Mills Foundation.

Through the year, General Mills employees, with company encouragement, continued to serve their nation, states and local communities in many capacities on leave or loan from their jobs or on a personal voluntary basis. For the *third* time in *six* years, a General Mills employee received the prestigious appointment as a White House Fellow. The 1973 appointee is Betty Jean Shelton. During the year, an inventory of employee interests was made in an effort to match interested employees with public agencies seeking volunteer help.

General Mills has been listening and responding to the consumer since the Betty Crocker concept was introduced in 1921. In the 1970's the volume of consumer communications is accelerating, and their nature changing. Nutrition, product safety, advertising—these are now among the paramount concerns of the modern consumer.

A comprehensive, company-wide program of consumer communication and concern has been established. Its prime goal is to demonstrate General Mills' dedication to serving its customers well.

More than a million letters and phone calls from consumers reach company offices and plants every year and the number is growing. Company policy is to answer each immediately. Complaints are dealt with promptly and courteously; suggestions are carefully considered. The not infrequent compliment is gratefully received.

Since nutrition is of primary concern to so many consumers, General Mills has made a strong effort to provide reliable, understandable nutrition information to the public. Six nutrition booklets were offered free on 25 million cereal packages. Nutrition information supplied to food editors generated articles in daily newspapers with circulations in excess of 35 million.

The General Mills Foundation and company employees contribute generously to United Way campaigns in many cities. Here, at a United Way agency, young artists work with finger paints.

Results of Operations

GENERAL MILLS, INC., AND SUBSIDIARIES

	Fiscal Year Ended May 27, 1973	Fiscal Year Ended May 28, 1972
	(in thousands)	
SALES	$1,593,167	$1,343,155
COSTS:		
Costs of sales, exclusive of items shown below	1,006,581	840,354
Depreciation expense	32,419	29,006
Amortization expense	2,239	3,102
Interest expense	18,287	20,438
Contributions to employees' retirement plans (Note 6)	7,539	5,704
Profit sharing distribution	4,191	3,401
Selling, general and administrative expenses	387,952	332,222
TOTAL	1,459,208	1,234,227
EARNINGS BEFORE TAXES ON INCOME, extraordinary items and other items shown below	133,959	108,928
TAXES ON INCOME (Note 7)	(68,298)	(53,684)
OTHER ITEMS:		
Share of net earnings (losses) of 20-50% owned companies	1,352	785
Minority interests in net earnings or losses of consolidated subsidiaries	(1,453)	(1,358)
EARNINGS BEFORE EXTRAORDINARY ITEMS	65,560	54,671
EXTRAORDINARY ITEMS, NET OF INCOME TAXES (Note 8)	—	(6,760)
NET EARNINGS	$ 65,560	$ 47,911
EARNINGS PER COMMON SHARE AND COMMON SHARE EQUIVALENT:		
Earnings before extraordinary items	$ 2.80	$ 2.37
Extraordinary items	—	(.30)
Net earnings	$ 2.80	$ 2.07
Average number of common shares and common share equivalents	23,436	23,097

Earnings Employed in the Business

	Fiscal Year Ended May 27, 1973	Fiscal Year Ended May 28, 1972
	(in thousands)	
NET EARNINGS FOR THE YEAR	$ 65,560	$ 47,911
DIVIDENDS:		
$1.75 cumulative convertible preference stock	(2,066)	(2,295)
Common stock ($1.00 per share, 1973 and $.96 per share, 1972)	(20,908)	(19,090)
TOTAL	(22,974)	(21,385)
NET EARNINGS AFTER DIVIDENDS	42,586	26,526
Adjustments related to pooled companies	(747)	(1,314)
NET INCREASE IN RETAINED EARNINGS	41,839	25,212
RETAINED EARNINGS AT BEGINNING OF YEAR	260,875	235,663
RETAINED EARNINGS AT END OF YEAR (Note 2)	$ 302,714	$ 260,875

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Balance Sheet

GENERAL MILLS, INC., AND SUBSIDIARIES

ASSETS

	May 27, 1973	May 28, 1972
	(in thousands)	
CURRENT ASSETS:		
Cash	**$ 3,314**	**$ 10,454**
Short-term marketable securities (at cost, approximates market value)	**13,407**	**24,359**
Receivables:		
Customers	145,796	121,615
Miscellaneous	12,880	9,610
	158,676	131,225
Less allowances for possible losses	(4,005)	(2,900)
	154,671	**128,325**
Inventories:		
Raw materials (except grain and flour), work in process and finished goods	194,934	151,616
Grain and flour	34,210	16,701
Containers and supplies	13,023	11,497
	242,167	**179,814**
Prepaid expenses	**12,736**	**11,433**
TOTAL	**426,295**	**354,385**
OTHER ASSETS:		
Land, buildings and equipment (at cost):		
Land	21,926	19,761
Buildings	175,395	172,699
Equipment	305,521	298,817
Construction in progress	25,566	24,081
	528,408	515,358
Less accumulated depreciation	(195,568)	(183,172)
	332,840	332,186
Less provision for losses on future dispositions (Note 8)	(4,143)	(13,137)
	328,697	**319,049**
Investments, instalment receivables and miscellaneous assets	**29,455**	**35,661**
Excess of cost over net assets of consolidated subsidiaries	**101,545**	**97,927**
Patents, copyrights and other intangibles	**20,121**	**22,018**
TOTAL	**479,818**	**474,655**
TOTAL ASSETS	**$906,113**	**$829,040**

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

LIABILITIES and STOCKHOLDERS' EQUITY

	May 27, 1973	May 28, 1972
	(in thousands)	
CURRENT LIABILITIES:		
Notes payable	$ 23,999	$ 16,911
Current portion of long-term debt	10,067	17,760
Accounts payable and accrued expenses:		
Accounts payable—trade	121,951	96,554
Accounts payable—miscellaneous	16,427	13,952
Accrued payroll	21,629	17,937
Accrued interest	3,198	3,255
	163,205	131,698
Accrued taxes	45,871	34,100
Thrift accounts of officers and employees	3,653	3,700
Dividends payable	501	546
TOTAL	247,296	204,715
LONG-TERM DEBT, RESERVES AND DEFERRED LIABILITIES:		
Long-term debt (Note 2)	213,082	227,890
Deferred Federal income taxes	7,064	713
Reserve for disposition losses (Note 8)	1,217	5,782
Other liabilities, reserves and deferred credits	7,270	6,414
TOTAL	228,633	240,799
TOTAL LIABILITIES	475,929	445,514
MINORITY INTERESTS	4,765	5,659
STOCKHOLDERS' EQUITY (Note 3):		
Preference stock (involuntary liquidation value $68,724,000, May 27, 1973)	3,622	3,953
Common stock	125,349	119,577
Retained earnings (Note 2)	302,714	260,875
Less common stock in Treasury	(6,266)	(6,538)
TOTAL STOCKHOLDERS' EQUITY	425,419	377,867
TOTAL LIABILITIES and STOCKHOLDERS' EQUITY	$906,113	$829,040

Changes in Financial Position

GENERAL MILLS, INC., AND SUBSIDIARIES

	Fiscal Year Ended May 27, 1973		Fiscal Year Ended May 28, 1972	
	(in thousands)			
WORKING CAPITAL PROVIDED BY:				
Earnings before extraordinary items		$ 65,560		$ 54,671
Add non-cash items:				
Depreciation and amortization		34,658		32,108
Deferred Federal income taxes		5,706		4,353
Other		5,563		1,669
Working capital provided from operations, exclusive of extraordinary items		111,487		92,801
Extraordinary items (loss)			$(6,760)	
Less non-cash extraordinary items		—	9,633	2,873
Proceeds from long-term debt issued		7,413		2,824
Common stock issued		76		5,275
Sale of stock upon exercise of options		4,651		3,933
Decrease in investments		5,572		—
Other sources		4,550		465
TOTAL WORKING CAPITAL PROVIDED		133,749		108,171
WORKING CAPITAL USED FOR:				
Gross additions to plant and equipment	$ 56,605		51,278	
Less proceeds from sales	11,797		8,356	
Net additions to plant and equipment		44,808		42,922
Purchase price of businesses	13,632		15,438	
Less working capital acquired	5,345		1,130	
Balance		8,287		14,308
Consisting of—Fixed assets	3,700		1,811	
—Intangibles and miscellaneous assets	3,808		13,805	
—Long-term debt	(1,289)		(829)	
—Minority interest	2,068		(479)	
Cash dividends		22,974		21,385
Long-term debt paid or charged against working capital		23,284		26,115
Increase in investments		—		1,080
Other uses		5,067		1,519
TOTAL WORKING CAPITAL USED		104,420		107,329
NET INCREASE (DECREASE) IN WORKING CAPITAL		29,329		842
Consisting of—Cash and marketable securities	(18,092)		18,639	
—Receivables	26,346		12,129	
—Inventories	62,353		23,829	
—Payables	(42,581)		(52,184)	
—Other	1,303		(1,571)	
WORKING CAPITAL AT BEGINNING OF YEAR		149,670		148,828
WORKING CAPITAL AT END OF YEAR		$178,999		$149,670

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Summary of Significant Accounting Policies

The company's financial statements are presented in accordance with generally accepted accounting principles. Several significant accounting policies are summarized below:

CONSOLIDATION

The consolidated financial statements include the results of operations and the account balances for the following domestic and foreign operations: (1) All parent company operations and 100 per cent owned subsidiaries; (2) All majority-owned subsidiaries; (3) General Mills' share of net earnings (losses) of 20-50 per cent owned companies; and (4) Dividends received from less than 20 per cent owned companies.

In accordance with Accounting Principles Board Opinion 18, the company has adopted the "equity method" of accounting for the results of 20-50 per cent owned companies. Prior years' figures have not been restated since the cumulative effect was not material.

All significant intercompany items have been eliminated from the financial statements. The fiscal years of foreign subsidiaries generally end in April.

FOREIGN EXCHANGE

Assets and liabilities of consolidated foreign operations are translated to U.S. dollars at the approximate year-end rates of exchange except for land, buildings and equipment accounts, which are translated at the approximate rates of exchange at dates of acquisition. Operating accounts, except depreciation expense, are translated at approximate average exchange rates for the respective years. Gains and losses resulting from such translations were not material and have been reflected in net earnings.

EARNINGS PER SHARE

The average number of common shares outstanding plus common share equivalents is included in determining "earnings per common share and common share equivalent." Common share equivalents represent common shares which may be issued in the future and include: (1) Shares to be issued as a result of possible conversion of preference stock; (2) Shares for certain stock options; (3) Treasury shares purchased for issuance under a profit sharing plan; and (4) Shares for stockholders of certain acquired companies earned through profit performance contracts.

DEPRECIATION

A portion of the cost of buildings and equipment is charged against earnings each year as depreciation expense. This amount is computed primarily by the straight-line method, which means that equal amounts of depreciation expense are charged against operations each year during the useful life of an item. For tax purposes, accelerated methods of depreciation are used which provide more depreciation expense in the early years than in the later years of the life of the item. The related tax effect for accelerated depreciation is recorded in the "Deferred Federal income taxes" account.

AMORTIZATION OF INTANGIBLES

Earnings are charged with the year-by-year reduction in value resulting from the expiration of patents and copyrights, usually acquired through the purchase of businesses.

"Excess of cost over net assets of consolidated subsidiaries" acquired after October, 1970, is amortized over not more than 40 years. "Excess of cost over net assets of consolidated subsidiaries" is the difference between purchase prices and the values ascribed to assets of businesses acquired and accounted for under the purchase method of accounting. Annually, the Audit Committee reviews these intangibles ("excess cost") and balances are reduced if values have diminished. At its meeting on May 22, 1973, the Board of Directors confirmed that the amounts comprising the "excess cost" have continuing value.

INVENTORIES

Raw materials (excluding grain and flour), work in process and finished goods are generally stated at the cost of the most recently purchased materials (FIFO), reduced to market when lower.

Grain and flour are valued at market and include advances on commodities as well as adjustments for open cash trades and unfilled orders. Containers and other supplies are stated at cost.

RESEARCH AND DEVELOPMENT

Expenditures for research and development are charged against earnings in the year incurred.

INCOME TAXES

Deferred income taxes result from timing differences between income for financial reporting purposes and income tax purposes. These differences are generally due to deferred compensation, depreciation and estimated losses recorded on the books but deducted in tax returns when such losses are later incurred.

Investment tax credit is accounted for by using the "flow-through" method; the provision for income taxes is reduced by the entire amount of credit earned during the year.

It is the policy of the company to accrue appropriate U.S. income taxes on earnings of foreign subsidiary companies which are intended to be remitted to the parent company. This change from prior years is required by Opinions 23 and 24 of the Accounting Principles Board. The change has no material effect on the current year's financial statements.

Notes to Consolidated Financial Statements

1. ACQUISITIONS

The company made the following acquisitions during the fiscal year:

	Ownership	Date Acquired	Accounting Method	Product or Major Product Group
Trochem (Pty.) Limited	35%	July, 1972	Purchase	Specialty Chemicals
Kimberly Knitwear, Inc.	100%	October, 1972	Pooling	Fashions
Inmobiliaria Selene, S.A.	100%	December, 1972	Purchase	Crafts, Games and Toys
Olson Travel Companies	100%	February, 1973	Purchase	Travel (Direct Marketing)
H. E. Harris & Co.	100%	May, 1973	Purchase	Crafts, Games and Toys
Meccano France, S.A.	100%	May, 1973	Purchase	Crafts, Games and Toys

The above combinations, excluding Kimberly, were accomplished by payment of $10,341,000 cash.

General Mills acquired all of the outstanding stock of Kimberly Knitwear, Inc., in exchange for 706,346 shares of General Mills' common stock. This transaction has been accounted for as a pooling of interests. Consolidated financial statements have been restated and include the following Kimberly results:

	Period prior to acquisition: May 29, 1972— October 2, 1972	Year Ended May 28, 1972
Sales	$10,231,000	$26,876,000
Net Earnings	$ 1,059,000	$ 2,514,000

General Mills' fiscal 1972 net earnings per share were increased $.04 due to the Kimberly restatement.

In addition, $3,291,000 cash was invested for increased ownership in other partially owned companies and for payments under performance earnings agreements relating to companies acquired in prior years.

Sales, costs and earnings of businesses accounted for as purchases are included in the results of operations from the dates of acquisition except H. E. Harris & Co. and Meccano France, S.A. They were acquired near the end of the fiscal year and their sales and earnings, since acquisition, were not included in the consolidated earnings of General Mills.

The fiscal 1973 sales, included in these financial statements, for all of the current year's purchases were substantially less than one per cent of 1973 consolidated sales. Earnings for the current year's purchases were not material.

2. LONG-TERM DEBT

	May 27, 1973	May 28, 1972
Three 20-year 3½% promissory notes of $5,000,000 each, due August 1, 1972, May 1, 1974, and May 1, 1975	$ 10,000,000	$ 15,000,000
Three 25-year 4¼% promissory notes of $10,000,000 each, due May 1, 1982, May 1, 1983, and May 1, 1984	30,000,000	30,000,000
4⅝% sinking fund debentures, due August 1, 1990	29,119,000	29,856,000
8⅞% sinking fund debentures, due October 15, 1995	99,096,000	99,055,000
Tom's Foods Ltd., 6¼% Guaranteed Debenture Stock, due March 31, 1988	4,480,000	6,063,000
General Mills Finance N.V., 7% Guaranteed Eurodollar Debentures, due November 1, 1980	14,321,000	16,363,000
General Mills Finance N.V., 8% Guaranteed Eurodollar Debentures, due March 1, 1986	17,970,000	19,213,000
General Mills Finance N.V., 7½% foreign currency term loan, due July 20, 1972	—	10,360,000
Miscellaneous debt	18,163,000	19,740,000
	223,149,000	245,650,000
Less current portion of long-term debt	10,067,000	17,760,000
	$213,082,000	$227,890,000

The above amounts are net of unamortized bond discount ($2,409,000 in 1973 and $2,719,000 in 1972).

The sinking fund and principal payments on long-term debt are $10,067,000, $10,298,000, $11,681,000, $10,002,000 and $10,074,000 in fiscal years ending in 1974, 1975, 1976, 1977 and 1978, respectively.

The terms of the promissory note agreements place restrictions on the payment of dividends and capital stock purchases and redemptions. At May 27, 1973, $160,482,000 of retained earnings was free of such restrictions.

3. CHANGES IN CAPITAL STOCK

The following table describes the changes in capital stock during fiscal 1973 *(dollars in thousands)*:

	Common Stock Class B ($3 Par Value no-div.)	Cumulative Preference Stock*		Common Stock			
				$1.50 Par Value		In Treasury	
		Shares	Value	Shares	Value	Shares	Value
Balance at May 28, 1972...	—	1,250,354	$3,953	20,428,988	$119,277	230,915	$6,538
Stock issued for Kimberly pooling..............				706,346	300		
Balance at May 28, 1972, as restated............		1,250,354	3,953	21,135,334	119,577	230,915	6,538
Conversion of preference stock................		(104,954)	(331)	178,408	331		
Sale of stock under option plans..........				141,614	4,651		
Stock issued—profit sharing plan and contest awards.						(8,406)	(227)
Stock issued—acquisitions.				30,475	790	(1,579)	(45)
Balance at May 27, 1973...	—	1,145,400	$3,622	21,485,831	$125,349	220,930	$6,266
Authorized shares at May 27, 1973.........	1,000,000	5,000,000		30,000,000			

*$1.75 cumulative convertible preference stock (no par value, voting). The preference stock outstanding is convertible into common stock at the option of the holder at a rate of 1.7 shares of common stock for each share of preference stock and is subject to anti-dilution provisions. The preference stock is callable at the option of the company. It is currently callable at $64 per share and after August 26, 1973, at a price of $63 per share, declining at the rate of $1.00 per share each August 26 until 1976, when it becomes callable at $60 per share. In the event of involuntary liquidation, the holders of these preference shares will receive $60 per share, plus accrued dividends. Holders of shares of such preference stock are entitled to .85 of a vote per share.

Common shares are reserved for:	Common Shares	
	May 27, 1973	May 28, 1972
Stock options outstanding................................	574,011	568,628
Stock options available for grant..........................	191,968	345,916
Conversion of preference stock..........................	1,947,180	2,125,602
Stockholders of certain acquired companies..................	78,340	237,530

4. STOCK OPTIONS

In 1970 the shareholders of General Mills, Inc., approved a Stock Option Plan under which options for the purchase of 600,000 shares, in the aggregate, of the company's common stock may be granted to officers and key employees, to August 31, 1975. The options, under the 1970 plan, are to be granted subject to approval of a committee of the Board of Directors and at a price of not less than 100% of fair market value on the date an option is granted. Options are also outstanding under stock option plans which have expired and under which no further options may be granted. All plans provide for termination of options at either five or 10 years after date of grant with certain exceptions due to death, disability or retirement. Information on stock option transactions during the year is shown in the table below.

	Shares	Option Price Per Share
Granted	159,450	\$54.75 - \$63.50
Became exercisable	159,250	25.19 - 50.44
Exercised	141,614	16.67 - 48.75
Expired	12,453	31.00 - 48.75
Outstanding at end of year to 377 officers and employees	574,011	19.63 - 63.50

5. LEASES

The company and its subsidiaries have a variety of lease commitments, longer than one year in duration, for which annual net rentals will total approximately \$11,200,000 in fiscal 1974, \$9,500,000 in 1975; \$9,100,000 in 1976; \$8,300,000 in 1977; and \$7,900,000 in 1978. The leases expire on various dates with only a few significant leases expiring as late as 1997. Certain leases require payment of property taxes, insurance and maintenance costs in addition to the rental payments.

6. PENSION PLANS

The company and many of its subsidiaries have pension plans covering a large number of their employees, including certain employees in foreign countries. The companies' policy is to fund pension costs accrued. The pension expense for the year was \$7,539,000 (\$5,704,000 in 1972) which includes interest on prior service costs and, in the case of certain plans, amortization of prior service costs over periods ranging up to 40 years. As of December 31, 1972, the companies' actuaries determined that the total vested benefits of the companies' pension plans approximated \$180,100,000. Of this total, approximately \$10,700,000 was unfunded as of that date.

7. TAXES ON INCOME

Following are the details of the provision for income taxes (excluding taxes on 1972 Extraordinary Items):

	1973	1972
	(in thousands)	
Federal taxes	\$47,762	\$38,270
Foreign taxes	10,380	7,810
State and local taxes	5,986	4,430
Deferred taxes	5,706	4,353
Investment tax credit	(1,536)	(1,179)
Total income taxes	\$68,298	\$53,684
Total effective tax rate	50.98%	49.28%

Foreign subsidiaries, in the normal course of business, reinvest portions of their earnings in the same manner as domestic subsidiaries. Currently, undistributed foreign earnings, aggregating approximately \$23,300,000, have been reinvested and are in active use in foreign countries. Repatriation of such earnings to the U.S. is not probable and therefore U.S. income taxes have not been accrued. Even if U.S. taxes were to be accrued, the amount would not be significant. U.S. taxes have been accrued on undistributed earnings which have not been designated for reinvestment. The charge to income in the current year is not material.

8. EXTRAORDINARY ITEMS

There were no Extraordinary Items in fiscal 1973. During fiscal 1972, the company incurred extraordinary charges or credits due to consolidating certain food manufacturing facilities, discontinuing a product line, returning reserves no longer needed for discontinued operations and other less significant items. The extraordinary charge (net of $4,799,000 for income taxes) amounted to $6,760,000. In 1973, realized losses on disposition of fixed assets ($8,994,000) and expenses related to discontinued operations ($4,565,000) were charged to the appropriate disposition reserves.

9. OTHER MATTERS

Authorizations at May 27, 1973, for unexpended appropriations for property additions and improvements and maximum potential cash payment under an acquisition performance contract amounted to approximately $41,392,000. In addition, there are certain options outstanding to purchase the remaining minority interests of certain part-owned companies which could have a maximum cost to the company of $8,500,000 plus 388,000 shares of common stock.

There was no litigation pending at May 27, 1973, not provided for in the accounts, which, in the opinion of management, would have a significant effect on the financial position of the company and its subsidiaries.

On February 16, 1971, the Federal Trade Commission (FTC) issued a complaint charging the acquisition by General Mills of The Gorton Corporation was a violation of the Clayton Act. The Commission attorneys sought divestiture of the business and assets of Gorton. The matter was litigated before an Administrative Law Judge of the FTC who ordered the complaint be dismissed. The Commission attorneys supporting the complaint appealed the decision. The matter was argued before the full Commission on June 6, 1973, and the parties now await the Commission decision.

The FTC has issued a complaint charging that an illegal oligopoly exists between four respondent manufacturers of dry breakfast cereals. Pretrial proceedings are now in process, involving the production and inspection of thousands of documents. A hearing will be held by an Administrative Law Judge of the Federal Trade Commission. After his decision, appeals will in all likelihood be taken to the Commission. The entire proceeding will go on for a long time and involve great expense in executive time and money. The company believes that the Commission's charges are not meritorious and should not be sustained.

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
1700 IDS CENTER
MINNEAPOLIS, MINNESOTA 55402

The Stockholders and the Board of Directors
General Mills, Inc.:

July 20, 1973

We have examined the balance sheet of General Mills, Inc. and subsidiaries as of May 27, 1973 and the related statements of results of operations, earnings employed in the business and changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of General Mills, Inc. and subsidiaries at May 27, 1973 and the results of their operations and the changes in their financial position for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Sales

BY MAJOR PRODUCT GROUP *(in millions)*

	Fiscal Year									
	1973		1972		1971		1970		1969	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Breakfast and Snack Items	$ 441.9	27.8	$ 392.0	29.2	$ 338.2	29.6	$ 333.1	31.5	$ 309.1	32.5
Mixes, Family Flour, Seafoods, Other	464.2	29.1	393.8	29.3	338.1	29.5	314.3	29.8	290.5	30.6
FOODS AT HOME	906.1	56.9	785.8	58.5	676.3	59.1	647.4	61.3	599.6	63.1
Commercial Foods and Ingredients	192.6	12.1	162.0	12.0	154.0	13.4	154.7	14.7	147.7	15.5
Restaurant Activities	54.6	3.4	33.3	2.5	13.5	1.2	5.2	.5	.8	.1
FOODS AWAY FROM HOME	247.2	15.5	195.3	14.5	167.5	14.6	159.9	15.2	148.5	15.6
TOTAL FOODS	1,153.3	72.4	981.1	73.0	843.8	73.7	807.3	76.5	748.1	78.7
Crafts, Games and Toys	173.7	10.9	148.0	11.0	126.6	11.1	104.1	9.9	91.7	9.6
Fashions and Direct Marketing	207.5	13.0	167.2	12.5	135.2	11.8	107.9	10.2	72.2	7.6
CONSUMER NON-FOODS	381.2	23.9	315.2	23.5	261.8	22.9	212.0	20.1	163.9	17.2
SPECIALTY CHEMICALS	58.7	3.7	46.9	3.5	38.5	3.4	36.3	3.4	38.6	4.1
TOTAL SALES	$1,593.2	100.0	$1,343.2	100.0	$1,144.1	100.0	$1,055.6	100.0	$ 950.6	100.0

Earnings

BY MAJOR PRODUCT GROUP *(in millions)*

	Fiscal Year									
	1973		1972		1971		1970		1969	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Breakfast and Snack Items	$ 68.6	39.6	$ 59.3	40.6	$ 56.5	44.8	$ 53.2	43.9	$ 43.3	40.1
Mixes, Family Flour, Seafoods, Other	43.7	25.2	42.7	29.3	40.1	31.8	35.2	29.0	34.6	32.0
FOODS AT HOME	112.3	64.8	102.0	69.9	96.6	76.6	88.4	72.9	77.9	72.1
Commercial Foods and Ingredients	5.2	3.0	4.3	2.9	5.5	4.4	6.8	5.6	8.5	7.9
Restaurant Activities	6.5	3.7	4.3	3.0	(1.0)	(.8)	(2.0)	(1.6)	(.3)	(.3)
FOODS AWAY FROM HOME	11.7	6.7	8.6	5.9	4.5	3.6	4.8	4.0	8.2	7.6
TOTAL FOODS	124.0	71.5	110.6	75.8	101.1	80.2	93.2	76.9	86.1	79.7
Crafts, Games and Toys	14.0	8.1	6.1	4.2	1.4	1.1	7.5	6.2	10.1	9.3
Fashions and Direct Marketing	28.1	16.2	24.1	16.5	20.4	16.2	17.4	14.3	9.8	9.1
CONSUMER NON-FOODS	42.1	24.3	30.2	20.7	21.8	17.3	24.9	20.5	19.9	18.4
SPECIALTY CHEMICALS	7.3	4.2	5.1	3.5	3.1	2.5	3.1	2.6	2.1	1.9
TOTAL OPERATING PROFITS	173.4	100.0	145.9	100.0	126.0	100.0	121.2	100.0	108.1	100.0
Unallocated corporate expenses, exclusive of items shown below	(16.9)		(13.1)		(10.8)		(10.6)		(8.3)	
Interest expense	(18.3)		(20.5)		(20.1)		(17.6)		(12.9)	
Profit sharing distribution	(4.2)		(3.4)		(2.4)		(2.6)		(2.6)	
TOTAL EARNINGS BEFORE TAXES	$134.0		$108.9		$ 92.7		$ 90.4		$ 84.3	

Operating profits reported above indicate the relative contributions of General Mills' diversified operations to total earnings. They are not necessarily comparable to similar data from other companies since accounting procedures vary.

Variations between the sales and operating profits shown in these tables for any given year and the amount for that year in preceding annual reports are due principally to restatements and minor adjustments in the classification of certain products or expenses.

Ten Years in Review

GENERAL MILLS, INC., AND SUBSIDIARIES

Before Restatements for Poolings of Interests

	May 27, 1973	May 28, 1972	May 3
Sales	$ 1,593.2	1,316.3	1,1
Earnings before extraordinary items	$ 65.6	52.2	4
Net earnings	$ 65.6	45.4	4
Dividends—common stock	$ 20.9	19.1	1
—preferred and preference stock	$ 2.1	2.3	
Earnings before extraordinary items and after dividends	$ 42.6	30.8	2
Per common share and common share equivalent (in dollars)*			
Earnings before extraordinary items	$ 2.80	2.33	1
Net earnings	$ 2.80	2.03	1
Dividends per share	$ 1.00	.96	
Common shares outstanding at year-end*	21,486	20,429	19,
Preferred shares outstanding at year-end	—	—	
Preference shares outstanding at year-end	1,145	1,250	1,
Number of stockholders	29,600	31,000	32,
Market price range (in dollars)—common stock*	$67⅞-48½	52¼-33⅜	36¼-
—preference stock	$113-82¾	88-57	61½
Total assets	$ 906	818	

*Adjusted for two-for-one split in August, 1967. Per share data for 1965 through 1973 is based on the average common shares and common share equivalents outstanding during the year.

Five Years in Review

dollar amounts, except per share, in millions

Restated for Poolings of Interests†

	Fiscal Year				
	1973	1972	1971	1970	1969
Sales	$1,593.2	1,343.2	1,144.1	1,055.6	950.5
Income taxes	$ 68.3	53.7	46.4	47.1	43.6
Earnings before extraordinary items	$ 65.6	54.7	45.8	43.1	40.1
Extraordinary items (net of income taxes)	$ —	(6.8)	—	(13.5)	1.3
Net earnings	$ 65.6	47.9	45.8	29.6	41.4
Earnings before extraordinary items (per sales dollar)	4.1¢	4.1¢	4.0¢	4.1¢	4.2¢
Working capital provided from operations	$ 111.5	92.8	79.9	73.1	64.5
Per common share and common share equivalent (in dollars)*					
Earnings before extraordinary items	$ 2.80	2.37	2.00	1.89	1.78
Net earnings	$ 2.80	2.07	2.00	1.30	1.83
Taxes (income, payroll, property, etc.)	$ 4.13	3.43**	2.93	2.90**	2.64

†Includes the following pooled companies: 1973 Kimberly Knitwear, Inc.; 1971 Eddie Bauer, Inc., and The Silna Corporation; 1970 David Crystal, Inc., Knothe Brothers Co., Inc., and Red Lobster Inns of America, Inc.; 1969 The Gorton Corporation, which was accounted for as part purchase, part pooling of interests, and Jesse Jones Sausage Company.

*Per share data is based on the average common shares and common share equivalents outstanding during each year.

**Excluding income tax credits related to extraordinary items of $.21 per share in 1972 and $.25 per share in 1970.

dollar amounts, except per share, in millions and shares outstanding in thousands

Fiscal Year Ended							
y 31, 1970	May 25, 1969	May 26, 1968	May 28, 1967	May 29, 1966	May 30, 1965	May 31, 1964
1,021.7	885.2	668.9	602.5	524.7	559.0	541.3
40.6	36.2	31.3	28.4	23.3	20.4	17.2
27.1	37.5	31.3	28.4	21.9	7.6	13.0
16.4	13.9	12.3	11.4	10.6	9.9	9.2
2.6	2.7	2.8	2.4	—	.3	1.1
21.6	19.6	16.2	14.6	12.7	10.2	6.9
1.88	1.77	1.66	1.57	1.52	1.31	1.05
1.25	1.83	1.66	1.57	1.43	.48	.78
.88	.80	.78¾	.75	.70	.65	.60
18,952	17,772	16,024	15,268	15,190	15,170	15,250
—	—	—	—	—	—	221
1,487	1,560	1,573	1,623	—	—	—
32,900	32,900	30,000	29,300	27,100	28,700	32,700
9¼-23⅝	43⅝-31⅝	42⅝-30	36¾-27	32-26	31¾-19⅛	21⅜-16¼
65½-41	71½-54½	71¼-55⅝	61½-48	—	—	—
666	622	505	367	311	270	280

Other Statistics

dollars in millions

Restated for Poolings of Interests

	Fiscal Year				
	1973	1972	1971	1970	1969
Gross expenditures for plant and equipment	$ 56.6	51.3	60.5	60.5	37.4
Research expenditures	$ 19.0	17.4	14.6	13.8	13.3
Advertising media expenditures	$ 74.2	63.5	54.2	57.2	58.7
Depreciation and amortization	$ 34.7	32.1	27.5	26.0	22.9
Wages, salaries and employee benefits	$ 296.8	260.8	226.0	203.0	170.8
Number of employees	40,651	35,974	32,629	28,979	27,707

In the opinion of management, the Financial Statements in this Annual Report to the Stockholders include all significant financial statement data included in the Annual Report to the Securities and Exchange Commission (Form 10-K).

Board of Directors

James P. McFarland, Minneapolis, *Chairman, Chief Executive Officer, General Mills, Inc.*
H. Brewster Atwater, Jr., Minneapolis, *Executive Vice President, General Mills, Inc.*
Charles H. Bell, Minneapolis, *Chairman of Finance Committee, General Mills, Inc.*
J. Ford Bell, Minneapolis
Thomas M. Crosby, Minneapolis, *Chairman of Board, Northwest Growth Fund, Inc.*
Kenneth N. Dayton, Minneapolis, *President, Dayton Hudson Corporation*
J. Wilbur Feighner, Columbus, Ga., *Executive Vice President, General Mills, Inc.*
Philip B. Harris, Minneapolis, *President, Northwestern National Bank*
Stephen F. Keating, Minneapolis, *President, Honeywell Inc.*
E. Robert Kinney, Minneapolis, *President, Chief Operating Officer, General Mills, Inc.*
R. Stanley Laing, Dayton, Ohio
David M. Lilly, Minneapolis, *Chairman of Board, The Toro Company*
Louis W. Menk, St. Paul, *Chairman of Board, Burlington Northern Inc.*
Charles F. Phillips, Auburn, Maine, *President Emeritus, Bates College*
Edwin W. Rawlings, Minneapolis
Frederick A. O. Schwarz, New York, N. Y., *of Davis Polk & Wardwell*
James A. Summer, Minneapolis, *Vice Chairman, Chief Development and Financial Officer, General Mills, Inc.*
Donald F. Swanson, Minneapolis, *Executive Vice President, General Mills, Inc.*
Richard L. Terrell, Detroit, Mich., *Executive Vice President, General Motors Corporation*
Nancy White, New York, N. Y., *Fashion Director, Bergdorf Goodman*

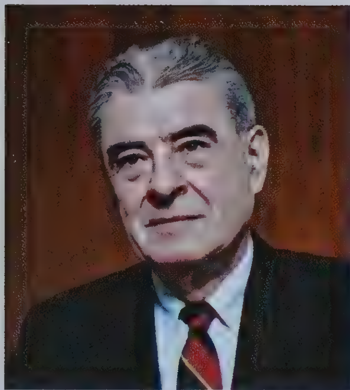
Charles F. Phillips

Richard L. Terrell

Charles H. Bell (left); David M. Lilly

Nancy White; Stephen F. Keating

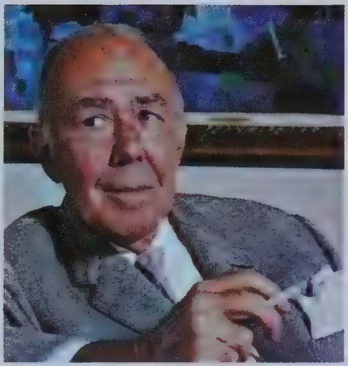
Louis W. Menk



Edwin W. Rawlings

Philip B. Harris (left); Frederick A. O. Schwarz

J. Ford Bell



Kenneth N. Dayton (left); Thomas M. Crosby

R. Stanley Laing

Executive Committee

James P. McFarland, *Chairman*
Charles H. Bell
J. Ford Bell
Kenneth N. Dayton
Stephen F. Keating
E. Robert Kinney
Louis W. Menk
Edwin W. Rawlings
Frederick A. O. Schwarz
James A. Summer

Incentive Policy Committee

Philip B. Harris, *Chairman*
Charles H. Bell
Stephen F. Keating
R. Stanley Laing
David M. Lilly
Louis W. Menk
Frederick A. O. Schwarz
Richard L. Terrell

Finance Committee

Charles H. Bell, *Chairman*
Philip B. Harris, *Vice Chairman*
Kenneth N. Dayton
E. Robert Kinney
R. Stanley Laing
David M. Lilly
James P. McFarland
Frederick A. O. Schwarz

Public Responsibility Committee

Thomas M. Crosby, *Chairman*
J. Ford Bell
Stephen F. Keating
Louis W. Menk
Charles F. Phillips
Edwin W. Rawlings
Richard L. Terrell
Nancy White

Research Policy Committee

David M. Lilly, *Chairman*
Charles H. Bell
J. Ford Bell
Thomas M. Crosby
Kenneth N. Dayton
Stephen F. Keating
James P. McFarland
Louis W. Menk
Edwin W. Rawlings
James A. Summer

Audit Committee

Charles F. Phillips, *Chairman*
Thomas M. Crosby
Philip B. Harris
Louis W. Menk
Nancy White

now & tomorrow

Corporate Officers

James P. McFarland, *Chairman of Board, Chief Executive Officer*

James A. Summer, *Vice Chairman of Board, Chief Development and Financial Officer*

E. Robert Kinney, *President, Chief Operating Officer*

H. Brewster Atwater, Jr., *Executive Vice President, Consumer Foods Activities*

J. Wilbur Feighner, *Executive Vice President, Domestic Operations of Tom's Foods Ltd., GoodMark Division, The Donruss Co.*

Donald F. Swanson, *Executive Vice President, Craft, Game & Toy Division, Direct Marketing Division, Fashion Division, International Operations, Travel Ventures*

Eugene E. Woolley, *Executive Vice President, Restaurant Operations, General Mills Chemicals, Inc., O-CEL-O Operations, Corporate Real Estate, Corporate Transportation*

Paul L. Parker, *Senior Vice President, Public and Employee Relations*

Sewall D. Andrews, Jr., *Vice President, International Operations*

John F. Finn, *Vice President, Secretary and General Counsel*

James S. Fish, *Vice President, Consumer Communications and Director of Marketing Services*

Frank C. Hildebrand, *Vice President, Counselor to the Public Responsibility Committee, Chairman of the Information Systems Planning Board*

John V. Luck, *Vice President and Technical Director*

Henry H. Porter, Jr., *Vice President—Finance, Treasurer*

Edward K. Smith, *Vice President and Controller*

Frank C. Hildebrand (left); Paul L. Parker

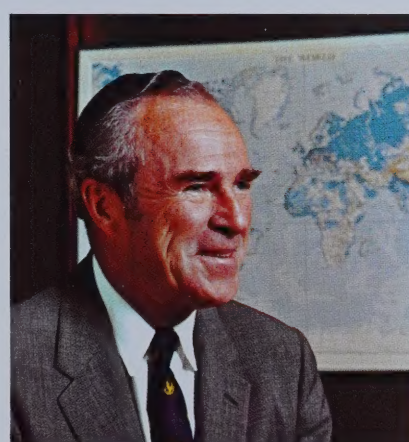
John V. Luck

Henry H. Porter, Jr. (*left*);
Edward K. Smith

John F. Finn

Left photograph:
Sewall D. Andrews, Jr.

Right photograph:
James S. Fish



Transfer Agencies

COMMON STOCK:

First National City Bank, 111 Wall Street, New York, N.Y. 10015
Office of the Company, P.O. Box 1113, Minneapolis, Minn. 55440

$1.75 CUMULATIVE CONVERTIBLE PREFERENCE STOCK:

First National City Bank, 111 Wall Street, New York, N.Y. 10015
The First National Bank of Columbus, 101 13th Street, Columbus, Ga. 31902

Registrars

COMMON STOCK:

The Chase Manhattan Bank, N.A., 1 Chase Manhattan Plaza, New York, N.Y. 10015
Northwestern National Bank of Minneapolis, Seventh and Marquette, Minneapolis, Minn. 55480

$1.75 CUMULATIVE CONVERTIBLE PREFERENCE STOCK:

The Chase Manhattan Bank, N.A., 1 Chase Manhattan Plaza, New York, N.Y. 10015
Columbus Bank and Trust Company, 1148 Broadway, Columbus, Ga. 31902

Stock Exchange Symbol: GIS

Operating Officers, General Mills, Inc.

Walter R. Barry, Jr., *Group Vice President, Consumer Foods*
Mercedes A. Bates, *Vice President, Consumer Center and Betty Crocker Kitchens*
M. M. Benidt, *Vice President and Director of Latin American and Export Operations*
F. C. Blodgett, *Group Vice President, Consumer Foods*
Fred Blumers, *Vice President, General Manager, Package Foods Operations Division*
Donald W. Carlson, *Vice President; President, General Mills Chemicals, Inc.*
Ross N. Clouston, *Vice President; President, The Gorton Corporation*
**Marylee Duehring, *Vice President, Manager of Betty Crocker Kitchens*
John P. Eckert, *Vice President; Assistant to the President, Novedades Plasticas*
James J. Feeney, *Vice President, General Manager, Sperry Division*
**James G. Fifield, *Vice President, General Manager, Golden Valley Division*
**Ramon P. Fouse, *Vice President, General Manager, Betty Crocker Division*
George C. Gaines, *Vice President; Managing Director, General Mills Europe Limited*
F. William Graham, *Vice President, General Manager, Fashion Division*
***John D. Herrick, *Vice President, General Manager, Canadian Operations*
Thomas P. Nelson, *Vice President, Controller, Consumer Foods*
J. Robert Roach, *Vice President, Director of Research and Development, Food Activities*
Howard L. Ross, *Vice President, General Manager, Grocery Products Sales Division*
Gordon W. Ryan, *Vice President, Director of Trade Policy and Customer Relations, Consumer Foods*
Arthur R. Schulze, *Group Vice President, Consumer Foods*
Robert K. Swanson, *Vice President; Chairman of the Board, General Mills Europe Limited*
**Preston Townley, *Vice President, General Manager, Big G Division*
Michael L. Tracy, *Vice President, General Manager, GoodMark Division*
*Gordon E. Whiteman, *Vice President, Director of Major Commodity Operations, Sperry Division*
Darryl J. Woodland, *Vice President, General Manager, Procurement Division*

Staff Officers, General Mills, Inc.

John M. Barker, *Vice President, Taxes*
**Ivy M. Celender, *Vice President, Director of Nutrition Service*
John T. Gerlach, *Vice President, Director of Corporate Growth*
J. William Haun, *Vice President, Director of Engineering*
William R. Humphrey, Jr., *Vice President, Executive Director of the General Mills Foundation*
Cyrus E. Johnson, *Vice President, Social Action*
Verne C. Johnson, *Vice President, Director of Corporate Planning*
Daniel G. McPherson, *Vice President, Director of Quality Control, Nutritional Policy and Food Safety*
William K. Smith, *Vice President, Director of Transportation*
Stanley V. Tabor, *Vice President, Corporate Real Estate*
Clifford L. Whitehill, *Vice President, Assistant General Counsel*

Other Operating Executives of General Mills and Domestic Subsidiaries

Lee C. Anderson, *President, Dexter Thread Mills, Inc.*
Ted C. Betker, *President, Fundimensions*
Ray E. Brunswig, *President, Pioneer Products, Inc.*
Michael Chernow, *President, Monet Jewelers, Inc.*
Jerome L. Cohen, *President, Gay-Gem Products Corporation*
Paul J. Curran, *Manager, International Operations, Craft, Game & Toy Division*
William B. Darden, *President, Red Lobster Inns of America, Inc.*
Harry L. Davis, *President, Gold Medal Insurance Co.*
Vincent dePaul Draddy, *Chairman, David Crystal, Inc.*
Walter W. Faster, *Director, Protein Operations*
J. Wilbur Feighner, *Chairman of the Board and President, Tom's Foods Ltd.*
Joseph W. Grieco, *Director of Operations, O-CEL-O*
Ronald K. Harris, *President, Travelworld, Inc.*
John B. Holmes, *President, David Crystal, Inc.*
Edward Kruger, *President, Knothe Brothers Company, Inc.*
William A. Lantz, *President, E. H. Thompson Company*
Jack B. Lazar, *President, Kimberly Knitwear Inc.*
Bernard Loomis, *President, Kenner Products*
Stewart F. Lyman, *President, The Donruss Co.*
Wesley P. Mann, Jr., *President, H. E. Harris & Co.*
James P. McLane, *General Manager, Direct Marketing Division*
William F. Niemi, Jr., *President, Eddie Bauer, Inc.*
Harvey S. Olson, *President, Olson Travel Organization, Inc.*
Edward P. Parker, *President, Parker Brothers*
Ozzie Silna, *President, The Silna Corporation*
Rudolf L. Talbot, *President, The Talbots, Inc.*

*Retired June 1, 1973 **Appointed June 25, 1973 ***Appointed July 23, 1973

International Operations

FOODS AND FLOUR

Smiths Food Group S.A.	Belgium	A. Van de Walle, *General Manager*
General Mills Canada, Ltd.	Canada	John D. Herrick, *Chairman*
Grocery Products Division		John D. Herrick, *General Manager*
Lancia-Bravo Food Division		A. M. Aymong, *General Manager*
The Smiths Food Group	England	Robert K. Swanson, *Chairman and Chief Executive Officer*
*Biscuiterie Nantaise—BN, S.A.	France	Lionel Cossé, *President and Managing Director*
*Industria Harinera Guatemalteca, S.A., and Industria del Maiz, S.A.	Guatemala	Francisco Gamez, *General Manager*
Smiths Food Group B. V.	Holland	C.B.M. de Jong, *General Manager*
*Fonti Levissima S.p.A.	Italy	Erminio Casella, *President*
		Alberto Mascetti, *Vice President*
*Morinaga General Mills, Ltd.	Japan	Hideo Ito, *Representative Director and President*
		G. L. Wogsland, *Representative Director and Executive Vice President*
*Productos de Trigo, S.A.	Mexico	Gustavo Martinez, G., *General Manager*
*Industrias Gem-Ina, S.A.	Nicaragua	Alfredo Montealegre, *General Manager*
*General Mills de Panama, S.A.	Panama	Lyle C. Mertz, *General Manager*
General Mills de Venezuela, S.A.	Venezuela	Paul Kaufmann, *Vice President and General Manager*
*Grandes Molinos de Venezuela, S.A.	Venezuela	Moises Benjamin, *General Manager*

AFFILIATES OF THE GORTON CORPORATION

*Crevettes Du Cameroon	Cameroon	Robert Nueberg, *Acting Managing Director*
Agincourt Foods Division	Canada	Russell G. Langley, *General Manager*
Blue Water Seafoods Division	Canada	Bruce O'N Hyland, *General Manager*
Canapro Division	Canada	Jean Carbonneau, *Manager*
Gorton-Pew Division	Canada	Laurie Delaney, *General Manager*

CRAFTS, GAMES AND TOYS

*Toltoys Proprietary Limited	Australia	Alex Tolmer, *President*
*Binder Tool and Mold Limited	Canada	Fred Binder, *President*
*Kenner Products (Canada) Limited	Canada	Arnold Irwin, *President*
Parker Brothers Games (Impressions)	Canada	A. Tom Vernon, *President*
Denys Fisher Toys Limited	England	Robert Fieldhouse, *Managing Director*
Palitoy, Limited	England	Robert Simpson, *President*
*Miro Company, S.A. (*Capiepa, S.A., *France Cartes, S.A., Parker Brothers France, S.A.R.L.)	France	Michel Habourdin, *President*
Brohm Spielwaren GmbH	West Germany	Werner Balzer, *Managing Director*
CIA. Industrial de Novedades Plasticas y Metalicas, S.A.	Mexico	Jose Ciklik Persky, *President*
Meccano France, S.A.	France	Henri Hannequin, *President*

CHEMICALS

Indusquima, S.A.	Brazil	Juan Sabaté Perez, *Director-President*
Tragasol Products Limited	England	W. L. Spliethoff, *Chairman*
*Dai-Ichi General Ltd.	Japan	Hikaru Konishi, *Representative Director and President*
		C. F. Pozzani, *Representative Director and Executive Vice President*
General Mills de Mexico, S.A.	Mexico	Ricardo Madero, *President and General Manager*
*Habib-General Limited	Pakistan	Asghar Habib, *General Manager*
Nutralgum S.p.A.	Italy	Adolfo Bogoncelli, *Managing Director*

*Partially owned

General Mills, Inc. • General Offices
P.O. BOX 1113 • MINNEAPOLIS, MINNESOTA 55440

A sampling of products by which we are known...

LITHO IN